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Japan's President Hatoyama gets ready to roll in the new year

Agence France-Presse/Getty Images

Japanese Prime Minister Yukio Hatoyama drives an electric-powered personal vehicle called an i-Real from Toyota at his official residence in Tokyo on Wednesday. Just before the demonstration, his government unveiled a blueprint for expanding Japan's economy. Page 3.

U.S. declares Chinese steel hurt industry

By Robert Guy Matthews And Henry J. Pulizzi

WASHINGTON—The U.S. International Trade Commission sided with U.S. steelmakers in a case over Chinese steel Wednesday, voting that U.S. industry has been damaged by a flood of imports of subsidized steel from China.

In the ITC's largest-ever steel case, all six commissioners said that imports of so-called oil country tubular goods from China have injured U.S. manufacturers. The commission is made up of three Democrats and three Republicans.

The ruling will likely result in duties on future imports of Chinese steel pipes. The decision comes at a time when tensions between Western steelmakers and Chinese steelmakers are at a high point. It also follows a U.S. decision a day earlier to impose preliminary antidumping duties on imports of steel-grating products from China. The world's recession and overall drop in demand for steel products has caused steelmakers to fight for a smaller pool of customers.

Last month, the U.S. Commerce Department imposed countervailing duties on the steel pipes ranging from 10.4% to 15.8%. The ITC's decision Wednesday allows the government to finalize those duties. The commission will make a separate decision on antidumping duties next spring.

In the U.S. and Western Europe, steel industries have focused their trade cases on the issue of job losses. Thousands of steelworkers have been laid off or their mills have closed throughout Europe and the U.S. In China, job losses have been minimal, but that is mostly because Chinese mills are continuing to operate and shipping their excess steel into foreign markets.

Chinese steelmakers don't dispute the loss of thousands of U.S. steel jobs, but they say the U.S. industry could have avoided them.

James Durling, the attorney representing Chinese steelmakers at the ITC hearing earlier this month, said U.S. steelmakers are feigning injury to protect their market from competition. He said the mass layoffs could have been averted by tapping into

Please turn to page 16

Fund chief snared by turncoats

By Susan Pulliam

Andrew Michaelson was buried in paper, millions of pages of it. Stack upon stack of files from the Galleon Group surrounded him inside a drab, government-issue office.

Mr. Michaelson, a lawyer with the Securities and Exchange Commission in Manhattan, had been burrowing through the documents since they were carted away from the hedge fund's headquarters months before. Galleon's billionaire founder, Raj Rajaratnam, had handed them over voluntarily in early 2007 in cooperation with an SEC investigation of his younger brother, a probe that hasn't resulted in charges.

Instead, when Mr. Michaelson's team found the needle in this haystack of documents—a single text message—it pointed them toward Raj Rajaratnam himself. The writer urged him not to buy video-conferencing firm **Polycom** Inc.'s stock "till I get guidance; want to make sure guidance OK."

The cryptic note was sent by Roomy Khan, a former **Intel** Corp. employee whom authorities had suspected in the past of sending inside information to Mr. Rajaratnam. People familiar with the matter say those few words hidden among millions of others proved a turning point in what would become the biggest insider-trading case in two decades.

By November 2007, Ms.

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Associated Press

Raj Rajaratnam—escorted by B.J. Kang, right, and another FBI agent—was arrested after a two-and-a-half year insider-trading probe.

Bond investors bet on debacle in Japan

By Gregory Zuckerman And Joanna Slater

A group of investors is betting on a painful reckoning for Japan, the world's second-largest economy.

These investors, including some who made successful bets against risky mortgages and financial companies in recent years, now anticipate deep trouble for Japan's financial system. Their concern: Government borrowing continues to climb while demand for the nation's debt could taper off.

A collapse of the Japanese bond market "is going to happen, it's a question of when," says Kyle Bass, head of Hayman Capital, a Dallas-based hedge fund.

Mr. Bass and others such as David Einhorn's Greenlight Capital and a fund run by Daniel Arbess of Perella Weinberg Partners have been buying a range of investments that could pay off if the Japanese bond market crumbles.

Betting against the debt of various nations such as Greece and Ireland has proven a popular move in the last several months as worries have mounted over dete-

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— NOTICE —

The Wall Street Journal Asia won't publish Friday in observance of the New Year's Day holiday. News updates are available to subscribers of the Online Journal at asia.WSJ.com.

THE WALL STREET JOURNAL.

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Business & Finance

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■ **Japan said it may extend** more funding to JAL, but the airline's shares lost almost a quarter of their value. **17**

■ **U.S. stocks were little changed** as data on manufacturing and oil inventories came in mixed and the dollar rose. JAL shares put pressure on the Tokyo market. **27**

■ **Investors breathed** a sigh of relief over the success of the last Treasury-note sale of the decade. The seven-year security came in at a yield of 3.345%. **26**

■ **Kumho Asiana** will sell a controlling stake in its Daewoo Engineering unit to a fund led by Korea Development Bank for $2.5 billion, part of a restructuring. **17**

■ **Spanish bank Criteria** and Japan's SMFG will increase their stakes in Bank of East Asia for a combined $659 million. **22**

■ **Bank of Nova Scotia raised** its stake in China's Xi'an City Commercial Bank to 14.8% and plans to take it to the 20% limit. **25**

■ **The first Chinese author** to sue Google for publishing book extracts online without consent is open to a settlement but still wants an apology. **10**

■ **Caijing's former editor** is taking charge of a small magazine run out of an economics institute in China's Hainan province. **18**

■ **South Korea is ending** a probe into possible price fixing in the computer-memory-chip market. **18**

■ **GMAC is close to getting** about $3.5 billion in U.S. aid to cover mortgage losses, on top of $12.5 billion already received. **22**

Agence France-Presse

Afghan demonstrators shout anti-U.S. slogans in Kabul on Wednesday during a protest against the alleged killing of 10 civilians by U.S. forces last weekend.

■ **Makers of a new breed** of ultra-small laptops that act more like smart phones are aiming to shake up the crowded portable-computer market. **21**

■ **Shell has doubled** financial support for biofuels start-up Codexis in the past year. **20**

■ **The U.S. FDA rejected** an antibiotic being developed by Basilea of Switzerland and J&J of the U.S. and recommended that new studies be conducted. **18**

■ **The U.S. dollar hit** a two-month high against the yen as fears of a bankruptcy filing by JAL and credit-agency concerns about the nation's fiscal outlook pressured the Japanese currency. **26**

■ **American Tower**, which operates and develops wireless communications sites, is in talks to acquire a controlling stake in India's Essar Telecom Infrastructure. **20**

* * *

World-Wide

■ **The Netherlands said** it will immediately begin using full body scanners for flights heading to the U.S. The announcement came after Obama criticized U.S. intelligence services for failing to prevent the Christmas Day attack. **7**

■ **Protests erupted** in Afghanistan over a U.S. military raid that may have killed 10 civilians over the weekend. Also, eight Americans were killed in an explosion at a U.S. compound, officials said. **4**

■ **China's state media** and ordinary Internet users hailed the execution of a British national for drug smuggling as a victory for Chinese justice. **4**

■ **North Korea sent out** a nationwide alert about the apparent worsening spread of H1N1 flu, a Seoul-based aid group said. **5**

■ **Taiwan's ties** with Washington are being strained by the island's new proposed ban on U.S. beef. **5**

■ **Laos denied** the U.N. immediate access to 4,500 ethnic Hmong who were forcibly repatriated from Thailand, but said international observers could visit later.

■ **Twin bombings** in Iraq's Anbar province injured its governor and killed at least 26 people, the worst violence in months in the onetime al Qaeda stronghold in Iraq.

■ **Died: Abdurrahman Wahid**, 69, ex-president of Indonesia who was a key religious moderate and spiritual leader of one of the world's largest Muslim organizations. **4**

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Chinese hunger for European goods helped the Czech car industry fend off the blues and post its best-ever overall sales result in 2009.

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Japan's blueprint targets 2% growth

By Tomoyuki Tachikawa And Takashi Nakamichi

TOKYO—Japan's government Wednesday released a draft economic-expansion strategy that targets an average annual growth rate of more than 2% over the next 10 years, an ambitious goal for an economy beset by deflation and a weak domestic outlook.

The plan, which calls for a focus on emerging business areas such as the environment and health care, projects an economic expansion of more than 2% on an inflation-adjusted basis and nominal gross-domestic-product expansion of 3% on average annually until the year ending March 2021. The figures suggest the government is projecting mild inflation in the decade ahead.

Prime Minister Yukio Hatoyama's Cabinet on Wednesday approved the blueprint, which is partly intended to fend off growing criticism that the three-month-old administration doesn't have a specific plan to engineer economic growth.

"The key for future economic growth is whether we can create demand, while considering what the Japanese people want," Mr. Hatoyama said. "We were able to make a strategy that allows us to capitalize on our strengths such as science and technology to help the economy grow."

The plan doesn't say how it will finance measures necessary to generate growth. Tokyo's ability to spend on new steps is limited by its already huge debt—the country's public debt-to-GDP ratio is the highest in the industrialized world, at around 180%.

Some observers greeted the plan with skepticism. Political commentator Minoru Morita called the strategy "a distraction," saying: "I think it will calm some of the criticism of the government, but it will at the same time spark unease. People may think they are promising things they have no intention of delivering," according to Reuters.

Another analyst, Mitul Kotecha, global head of foreign exchange strategy at Calyon in Hong Kong, said: "What we have at the moment is just a blueprint, a roadmap. It looks good on paper but we have to wait for details and how do they plan to implement it," Reuters reported. Mr. Kotecha said the fact that there was no detailed plan for tackling deflation was a matter of concern. "Unless markets see some concrete steps being taken in that direction they will remain unconvinced about the resolve."

After the government's plan was released, 77-year-old Finance Minister Hirohisa Fujii attended a news conference in his first public appearance since he was hospitalized Monday for fatigue. He said the date of his return to work full-time depended on consultation with doctors.

Mr. Hatoyama said the administration plans to finalize its growth strategy by next June.

The plan says policy makers should focus on six major areas that are expected to stimulate additional growth: environment; health care; increased trade and business with other Asian countries; tourism and revitalizing Japan's regional economies; science and technology; plus more job training as well as increased employment opportunities for groups such as the newly retired.

The government is trying to generate more than four million jobs in the environment, health care and tourism industries by 2020, the plan says. Public and private-sector investment in science and technology-related research and development also will rise under the plan.

Tokyo is also targeting the creation of more than 100 trillion yen ($1.08 trillion) in new demand by, for instance, encouraging medical companies to boost sales abroad, promoting the pioneering of new techniques to curb greenhouse gas emissions, and attracting more tourists to Japan.

Achieving those goals won't be easy. The government expects only 1.4% real GDP growth in the year starting April. Moreover, deflation has been reducing corporate profits, which in turn reduces private demand. The core consumer price index, which excludes volatile fresh food prices, fell for the ninth consecutive month in November, dropping 1.7% from a year earlier.

Mr. Fujii was admitted to hospital Monday for rest and a check-up due to fatigue caused by hard work compiling the national budget for the next fiscal year, raising concern that the absence of a finance minister could disrupt Japan's public services if it becomes prolonged. But he left the hospital temporarily Wednesday to attend the Cabinet meeting and held a news conference afterward as usual.

"I'm proud that we have achieved ... drafting the budget within the year, avoiding allowing unrestrained bond issuance, and setting the stage for carrying out important measures" promised by the ruling party, Mr. Fujii said. "But because of that work, I am very tired."

Mr. Fujii gave little away as to how long he might stay in hospital, and said he doesn't know when the health examination will end.

Reuters

Japanese Prime Minister Yukio Hatoyama shakes hands with Honda's humanoid robot Asimo during a photo session Wednesday in Tokyo.

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Afghans protest killings by military

Hundreds block streets in Jalalabad, burning effigy of Obama; suicide bombing kills eight Americans in compound

By Anand Gopal

KABUL—Protests erupted in Afghanistan Wednesday in response to a U.S. military raid that may have killed 10 civilians, including eight children, over the weekend. NATO, however, is questioning Afghan reports that civilians were among the dead.

Meanwhile, eight Americans were killed in an explosion at a U.S. compound in Afghanistan Wednesday, officials said. Afghan officials said a suicide bomber had entered a U.S. facility. A U.S. official in Afghanistan wouldn't confirm the report of a suicide bombing, saying an investigation is under way.

The U.S. official said that the attack occurred at a U.S. military base in southeastern Afghanistan's Khost province and that all killed were Americans.

A spokesman for the U.S. military in Afghanistan said none of the dead were soldiers and that the attack was not on a U.S. military base, but at a facility associated with the U.S. Embassy. The U.S. Embassy declined to comment ahead of an announcement scheduled for Thursday morning.

Earlier, hundreds of demonstrators blocked streets in the eastern city of Jalalabad, chanting anti-U.S. slogans and burning an effigy of U.S. President Barack Obama. "We went out [to the streets] to show our anger against the barbarity of the Americans," said Moharam Moeed, a 25-year-old protester from Nangrahar University.

Associated Press

Afghan protesters chant anti-American slogans and burn an effigy of U.S. President Barack Obama in Jalalabad on Wednesday to denounce the killing of 10 civilians.

Many of the demonstrators were university students, said Noor Agha Zwak, the provincial spokesman. Some shouted "Death to Obama" and "Death to the foreign troops," witnesses said.

A coalition led by university students behind the demonstrations issued a statement saying, "the government must prevent such unilateral operations, otherwise we will take guns instead of pens and fight."

The civilian casualties occurred last weekend in a rugged, remote part of the country in the northeastern province of Kunar, and came to light after Afghan President Hamid Karzai condemned the killings.

A government team of investigators announced Wednesday that eight of the 10 people killed in the raid were between the ages of 13 and 18.

"The people that were killed were innocent civilians," Asadullah Wafa, the head of the team, told reporters. "We want to find and punish whoever gave the false information" that led to the raid, he said.

Raids are sometimes the result of flawed information or village rivalries, where locals accuse someone of being an insurgent to settle a score.

A NATO statement questioned the government's findings. "A joint coalition and Afghan security force entered the village of Ghazi Khan," the statement said, and "came under fire from several buildings and in returning fire killed nine individuals. Several assault rifles, ammunitiion and ammonium nitrate used in bomb-making were discovered." The statement added that there was "no direct evidence" to substantiate the government's claims that unarmed civilians were killed.

Meanwhile, NATO forces said they are investigating why an Afghan solider shot dead his U.S. counterpart and wounded two other international troops on Tuesday. The shooting was the third in two months where a member of the Afghan forces turned his weapon on his Afghan and Western colleagues.

Indonesian leader Wahid, a religious moderate, dies

By Tom Wright

JAKARTA—Former Indonesian President Abdurrahman Wahid, a key religious moderate and spiritual leader of one of the world's largest Muslim organizations, died Wednesday at age 69.

Mr. Wahid, an almost-blind and wheelchair-bound cleric whose health had deteriorated in recent years, died in a central Jakarta hospital, an aide said. The cause of death wasn't immediately known, but Mr. Wahid had chronic health problems since suffering a near-fatal stroke in 1998.

As head of the Nahdlatul Ulama, an Islamic organization with 40 million members founded in 1926 by his paternal grandfather, Mr. Wahid came to be seen as a key ally of the West in its ideological struggle against Islamic radicalism.

He fought to keep the NU out of politics in the 1980s and 1990s at a time when Muslim organizations across the Middle East and Asia were agitating to implement Islamic Shariah laws.

"He was against political Islam as a concept," said Robin Bush, the Indonesia country representative for the Asia Foundation, a San Francisco-based think tank.

In recent years, Indonesia has experienced a rise in more-conservative forms of Islam. A number of local governments passed Shariah laws earlier this decade, and homegrown terrorists have launched attacks on Western hotels and embassies, as well as on the resort island of Bali.

But a majority of Indonesia's 240 million people remain moderates who lean toward Mr. Wahid's vision, and his death is unlikely to open the door to more radical Islamists, analysts say. The current leaders of NU lack Mr. Wahid's charisma but remain wedded to his moderate and secular views, as do most politicians from other Muslim-based parties, Ms. Bush said.

Mr. Wahid, who was widely known by his nickname Gus Dur, embodied the nation's syncretic religious traditions that meld more austere Middle Eastern strands of Islam with older Hindu and animistic traditions. Mr. Wahid himself was a descendent of an old Hindu royal family, and enjoyed being irreverent about Islamic traditions. He said he disliked his time in the 1960s studying at Cairo's Al-Azhar University, Sunni Islam's premier seat of learning, because of the dull rote-learning of verses from the Koran, Islam's holy book.

Mr. Wahid's term as president between 1999 and 2001—after the fall of authoritarian President Suharto in 1998—disappointed many followers. Although he worked to roll back the role of the military in political life and to decentralize power to Indonesia's far-flung provinces, his administration was characterized by unpredictable cabinet reshuffles and allegations of nepotism in government appointments.

Mr. Wahid's presidency was also wracked by concerns about his health after he suffered a stroke shortly before assuming office.

His term in office ended with his impeachment for alleged corruption in the alleged misappropriation of state funds. Mr. Wahid was forced to step down, but denied any wrongdoing and said the impeachment was politically motivated by Suharto-era figures vying to return to power.

More recently, he founded the Wahid Institute, which promotes moderate Islam and is headed by his daughter.

European Pressphoto Agency

Former Indonesian President Abdurrahman Wahid, shown during a news conference in Malaysia in August 2008. He died on Wednesday in Jakarta.

North Korea seen battling wave of flu

Seoul-based group says rare Pyongyang statement on disbursement of donated treatments suggests spread of H1N1

By Jaeyeon Woo

North Korea has sent out a nationwide alert in recent days about the apparent worsening spread of H1N1 flu, according to an aid group with contacts in the country.

The notice by the Seoul-based Buddhist aid group Good Friends follows the South Korean government's shipment of 400,000 doses of the flu treatment Tamiflu and 100,000 doses of the treatment Relenza to its impoverished neighbor on Dec. 18, amid fears that a delayed response to the disease in the North could lead to serious consequences for the South.

Good Friends said this week that North Korean officials had issued a statement that said patients suffering from the disease should be given priority. The group said the statement was of a type issued only twice before, for seriously wounded soldiers during the 1950-1953 Korean War and for a deadly skirmish with South Korea in 2002.

The true picture within highly restrictive North Korea is difficult to determine. Officials there couldn't be reached.

On Dec. 9, North Korea's official Korea Central News Agency confirmed that nine people had contracted the virus, also known as swine flu, in the capital of Pyongyang and in the city of Sinuiju.

South Korean officials, who met with their North Korean counterparts during the flu-treatment shipments, said they were unclear on the situation. Lee Jong-joo, a deputy spokeswoman for South Korea's Unification Ministry, which handles relations with the North, said that the fact that North Korea officially disclosed it is fighting the virus suggests it could be serious.

"North Korean officials we met at that time said the country is setting up a tight disease-control system and getting itself ready for an outbreak in the country," she said Wednesday.

North Korean officials were "very grateful" for the South's donated treatments, said Kim Young-il, a manager at the ministry's humanitarian aid team.

South Korea's aid to the North has dwindled since President Lee Myung-bak took office in 2008. Mr. Lee tied aid to progress in talks to halt North Korea's pursuit of nuclear weapons.

Agence France-Presse/Getty Images

Officials in Kaesong, North Korea, unload swine-flu medication donated by South Korea in this Dec. 18 photo released by the South Korea Unification Ministry.

Talks have been slowed by Pyongyang's delaying tactics.

Amid recent peace overtures by the North, the South Korean government said Monday it would provide North Korea with $22 million in general humanitarian aid.

"Medication shipment alone is not enough. Since the infection is closely related to nutrition, the Seoul government should allow civil groups to resume their private aid works to efficiently fight against the disease," said Lee Woo-young, a professor at the University of North Korean Studies.

Mr. Kim said the government doesn't currently plan to ship more flu aid.

According to the World Health Organization, H1N1 has caused at least 11,500 deaths world-wide. But activity has been declining in much of the world, including East Asia, it said.

Taiwan's likely ban on U.S. beef stalls trade talks

By Ting-I Tsai

TAIPEI—Taiwan is negotiating a closer relationship with its one-time enemy, China, while its ties with Washington are being strained by the island's new proposed ban on U.S. beef.

The U.S. Department of Agriculture and the Office of the U.S. Trade Representative Wednesday expressed concerns after Taiwan's parliament proposed an amendment to the country's Food Sanitation Act that would bar imports of some U.S. beef products.

"We are deeply concerned and disappointed by reports that Taiwan's Legislative Yuan has taken initial steps toward the passage of ... provisions that would unjustifiably bar the import of certain U.S. beef and beef products," the U.S. statement said.

On Tuesday, parliament proposed to reinstate a ban on some U.S. beef products due to fears about mad-cow disease.

Taiwanese President Ma Ying-jeou decided in October to lift previous bans and allow imports of U.S. ground beef, bone-in beef and cow offal, after two years of negotiations between Taipei and Washington. Parliament declined to endorse Mr. Ma's decision.

Because of the proposed ban, Taiwan's minister of economic affairs, Shih Yen-shiang, told parliament Wednesday that resumption of talks on a free-trade pact with the U.S. would be indefinitely delayed. Minister of Foreign Affairs Timothy Yang told parliament that the proposed ban would hurt recently improved relations with the U.S.

The amendment is scheduled to be voted into law on Jan. 5, likely overturning President Ma's October decision.

In response to the proposed ban, the Presidential Office said the administration would continue lobbying lawmakers against the amendment, and would send a delegation to Washington to contain fallout from the proposed ban. But reversing the bill, which was jointly endorsed by the ruling Kuomintang and the opposition Democratic Progressive Party, might not be possible, Presidential Office spokesman Wang Yu-chi said.

Officials in Washington said that after the protracted talks that led to the October lifting of the ban, Taiwan's likely unilateral reversal would damage its credibility.

"The Taiwan authorities should consider very carefully the impact that passage of the amendment in its current form would have on Taiwan's reputation as a reliable trading partner and responsible member of the international community," the U.S. statement said.

The trade friction comes as Taiwan is working to improve trade ties with China. The two recently started negotiations on a free-trade pact.

Since the October bid to lift the beef ban, protesters concerned that U.S. beef imports could bring in mad-cow disease have staged rallies and demanded a referendum on the issue. In response to public fears, the government has repeatedly reassured the Taiwanese people that U.S. beef is safe, while suggesting that those concerned shouldn't eat U.S. beef.

The case parallels similar fears in South Korea. Last year, hundreds of thousands of South Koreans took to the streets when the South Korean government lifted bans on U.S beef imports.

Taiwan banned imports of U.S. beef in 2003, and partially relaxed the ban to allow in boneless U.S. beef in 2006. Taiwan consumed $128 million in U.S. beef products in 2008.

China is losing a war over Internet

Beijing has prevailed in string of battles, but new segment of society has awakened to the constraints imposed on them

By Loretta Chao And Jason Dean

BEIJING—These appear to be dark days for the Internet in China.

Four months into a crusade against Internet pornography, the government is closing thousands of sites—some pornographic, some not—and tightening rules on who can register Web addresses inside China.

Foreign sites such as Facebook, YouTube and Twitter, blocked by censors in the run-up to the 60th anniversary of Communist Party rule on Oct. 1, remain inaccessible to most Chinese users. Several prominent critics of the state who used the Internet to spread their message have been detained or imprisoned.

ANALYSIS

Yet this list of casualties obscures a larger truth: The censors are losing.

The dozen or so years since the Web came to China have seen repeat rounds of crackdowns and detentions, aided by a steady growth in scope and sophistication of the government's filtering apparatus that critics dub the Great Firewall. Still, the Internet has enabled more Chinese to have more access to information today, and given them greater ability to communicate and express themselves than at any time since the founding of the People's Republic.

The censors "are winning the battles everywhere," says Isaac Mao, a blogging pioneer based in China and Chinese-Internet researcher, "but losing the war."

In 2009, Beijing lost a big battle, too, in the so-called Green Dam incident. It was the most dramatic illustration of the limits of the censors' power. The government's plan to quietly compel all personal-computer makers put Web-filtering software known as Green Dam-Youth Escort into new PCs shipped into China was indefinitely shelved, amid anger from global technology companies and Chinese citizens alike.

The government said the software was meant to block children from accessing pornography, but critics said that it was unreasonable to require a specific program for all PCs, and that the software was filtering a broad range of content, such as social and political commentary, and even health, among others.

What would have been the state's most extensive measure ever to cleanse the Web instead awakened a new segment of society to the constraints imposed on them. The Great Firewall's power used to be in the government's ability to keep its vast Internet control system under the radar of Chinese users, who have mostly been interested in using the Web for entertainment.

Now, "fan qiang"—a cyber dissident's phrase meaning to "scale the wall"—has become standard lingo for Chinese Internet users of many persuasions.

A domestic backlash against Green Dam spread across the Internet in 2009, spurring lively discussion on matters long off-limits for public debate. It carried, for example, the story of a young woman prosecuted for the self-defense killing of a local-government official who had tried to rape her.

In another case, it spread awareness that officials blamed the death of a man in police custody on a game of hide-and-seek with other inmates that turned deadly, which in turn led to accusations by Internet users of a cover-up. A relatively small—and growing—group of savvy Internet users have been able to able to access blocked social networking sites such as Twitter to express defiance over Beijing's Web restrictions and to share banned information.

Agence France-Presse

Customers surf the Web at an Internet café in Wuhu, central China, in a photo taken in February. A backlash against Beijing's moves to block access has spurred wide public debate and attempts to 'scale' the so-called Great Firewall of censorship.

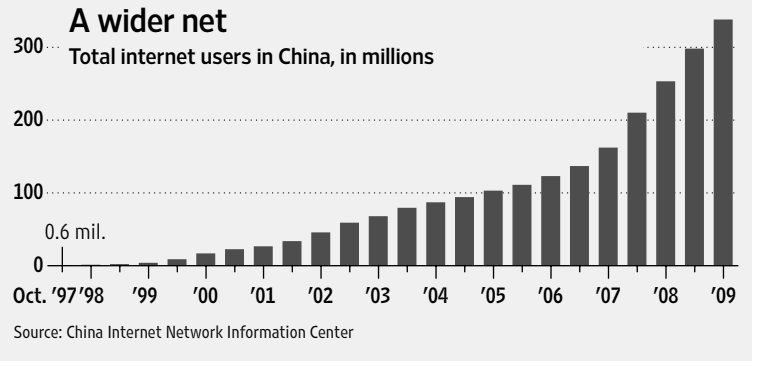
More broadly, the Internet has given citizens a chance to discuss and organize action on sensitive issues.

"The Internet has been very important. You can express yourself; you can distribute information to change other people's views; you can communicate; you can organize," says Wan Yanhai, a prominent Beijing-based AIDS activist, who started his organization with the help of email and the Web. "In the past 10 years, it has affected people's lives so much. It has given people courage to change society."

To say that the censors are losing isn't to say they have lost. If the Communist Party's grip over information is loosening, it is far from clear whether its hold on political power in China is ultimately threatened by the trend.

To the extent authorities have allowed more freedom to vent on the Internet, they may have helped preserve their party's power by providing a release for complaints.

The Communist Party has always been acutely aware of the power of information. At the start of its rule, foreign news sources were barred, and propaganda officials tightly controlled the content of every publication and broadcast in the country. A brief period of liberalization came in the late 1980s, when college students and other members of the elite were allowed greater leeway to gather and discuss ideas. But that freedom was limited by technological and other constraints on the spread of information. The period ended with the government's crackdown on the Tiananmen Square pro-democracy demonstrations in 1989.



Less than a decade later, the Web's advent in China posed a conundrum for the party that has never gone away. Officials recognized the Internet's utility as access to the outside world and a tool for commerce, even if they fretted about its risks. From the start, they shaped plans to control it. In 1996, they said all Internet subscribers had to register with their local police bureau—a mechanism that might have seemed feasible when there were less than one million users, but quickly became untenable as the number grew to the tens, and then hundreds, of millions.

In 2003, China announced a large-scale plan to regulate the Internet called the Golden Shield Project, with the expressed purpose of letting public-security officials do online monitoring.

Today, multiple government agencies oversee a slew of Internet controls that include regulating locally run Web sites and forcing them to filter out illegal content, such as pornography or sensitive political topics. These agencies might ask sites to provide information on users, may block overseas sites with sophisticated keyword-filtering technology, or at times even attempt to sway public opinion by planting comments on various Internet forums.

The government took more drastic measures when ethnic violence erupted in Xinjiang in July, and panic spread in part through rumors dispersed in text messages and in social media that a spate of syringe stabbings were an effort by Uighurs to infect Han Chinese with HIV. Beijing blocked Internet access in the entire province. On Tuesday, officials announced the blocks would be partially lifted, with access restored only to the Web sites of two state-run media agencies.

The vast majority of people in China use the Web for entertainment, not unlike what people elsewhere do: playing games, listening to music, getting celebrity gossip or reading about sports. That trend is encouraged by Beijing's efforts to curtain off certain subjects.

Web users in China who gain too much attention or strike at especially sensitive subjects are sometimes jailed. That's what happened to Zhao Lianhai. After his young son was sickened by tainted milk in 2008, he started a Web site to help other families and share experiences.

From a dimly-lit office in his home, Mr. Zhao compiled information from around the country into a database of children affected by the tainted formula, and published it on his Web site. He kept his instant-messaging program open at all times to keep in touch with dozens of parents to track lasting effects of melamine poisoning, and to remind them to submit medical records for his database.

Running the site and getting past government barriers on the Internet became a full-time activity for Mr. Zhao, who stopped running the advertising company he had before his son got sick. Mr. Zhao learned to outsmart China's censorship system by moving his site to different servers, using special software that circumvents government filters and registering Web domains outside of China.

"I'm not doing anything wrong, and I say that to anyone who tries to stop me," Mr. Zhao said in an interview during 2009.

Mr. Zhao's activities so alarmed officials that they detained him in November, and formally arrested him in December.

But for each critic the authorities stop, more rise. "There are simply too many people," says Xiao Qiang, a scholar who studies the Chinese Internet at the University of California at Berkeley. "They can do that to a very small group.. .but the approach certainly is not good enough to intimidate all the voices online."

Mr. Xiao points to the example of Liu Xiaobo, detained in December 2008 for his role in creating Charter 08, a sweeping call for political and legal reform in China. Mr. Liu was sentenced on Christmas Day to 11 years in prison for subversion. But since his detention, thousands more Chinese have signed Charter 08 through Internet sites that disseminate the document.

Still, the government is getting better and faster in its effort to control content on the Internet, but it simply can't keep up with the proliferating moves to use the Web in more ways. In the first six months of 2009, an average of 220,995 Chinese a day started using the Internet for the first time, according to official figures. That represents 153 new Internet users a minute.

That the Internet threatens, fundamentally, the party's information monopoly is one of the few facts that China's liberal activists and its government enforcers agree on. In an essay published in December in a government magazine, Minister of Public Security Meng Jianzhu warned that the Internet "has become an important means for anti-China forces to engage in infiltration and sabotage, and to enlarge their power of destruction, which brings new challenges to the public security agencies to maintain national security and social stability." He pointed to the use of the Internet to spread word of unrest before the government has a chance to control it.

For Mr. Xiao at Berkeley, "essentially, the Internet is mainstream media. Whatever happens on the Internet, the whole nation knows, and that also gets on the government's nerves."

From his perch in California, Mr. Xiao and his team spend most of their time scanning the Chinese Web, and documenting numerous cases of dissent and criticism.

Censorship is "more sophisticated, and its capacity is very powerful, but it is full of loopholes," he says. As the government tries to close them, "the main result is to create more resistance and backlash from Chinese Internet users," Mr. Xiao says. "They are creating a whole lot more enemies to the censorship system."

On U.S. agenda in 2010: housing, regulation, deficit

[Capital]

By David Wessel

Extraordinary government action prevented a depression. Hooray! But it's only halftime in Project Economic Rescue. Policy makers can't relax until the private sector picks up the slack, the economy is growing at a healthy pace and unemployment is falling. The new year brings another round of big decisions for the U.S. government—not as urgent as those of 2009, but as difficult and consequential. Here are three.

Housing. The mortgage market has been nationalized. Nearly nine in 10 mortgages made today are underwritten by Fannie Mae and Freddie Mac, the mortgage giants that are now wards of the state, or conventional federal agencies. The Federal Reserve is buying as much as $1.25 trillion in mortgage-backed securities, the equivalent of 6.25 million mortgages at the typical selling price these days.

"These 'large-scale asset purchases' were not aimed at supplying liquidity to financial institutions or at reducing systemic risk," Brian Sack, chief of the Federal Reserve Bank of New York's trading desk, said in a recent speech. "Instead, they were intended to support economic activity by keeping longer-term private interest rates lower than they would otherwise be."

In other words, the Fed was trying to keep mortgage rates down to keep house prices from falling too fast. Peter Fisher, one of Mr. Sack's predecessors, derisively terms these "price keeping operations," an allusion to Japan's efforts to prop up stock prices.

So what happens if the Fed sticks to its vow to finish buying mortgages in March 2010? Will mortgage rates skyrocket? The Fed doesn't think so.

The Treasury, though, has altered the Fannie and Freddie bailout to lift the ceiling on the volume of mortgages they can buy for their portfolios with the taxpayers' credit card, a hint that they may step in when the Fed steps out. Weaning the mortgage market off government support will be delicate because the market is still fragile, and a looming wave of foreclosures could push it down again. Even tougher is deciding how to structure it for the future, a subject about which the Obama administration has been noticeably vague.

Financial regulation. The fear that Congress would rush to reregulate finance, as it rushed to redo corporate-governance rules in the Sarbanes-Oxley legislation after corporate scandals in 2002, has evaporated. The sorely needed financial redo has been diluted by financial interests targeting provisions that would squeeze profits, delayed by the paralysis of the U.S. Senate and complicated by serious debate about the best way to avoid a repeat of the financial crisis without strangling the economy.

The Obama administration's political calculation was that the Democrats' desire to create a new consumer agency would be a locomotive pulling the rest of the legislation through, but that didn't work. The House passed a hodgepodge of populism and industry-influenced provisions. Senate Banking Committee Chairman Christopher Dodd is trying to find a plan that draws at least four Republicans on his committee, but hasn't yet. Now there's talk among insiders about scaling back the effort. That means deciding what is really essential, and forging a consensus on that.

Crafting a mechanism for safely winding down big nonbank financial institutions, such as Bear Stearns or Lehman Brothers, is crucial, but agreement on that mechanism is difficult. Deciding whether to limit the scale or scope of big financial institutions so fewer of them put the rest of the economy at risk is proving contentious.

A lot could happen without Congress if global bank supervisors and central banks, working through the Financial Stability Board can agree on rules to require banks to hold bigger capital cushions to absorb shocks, be less leveraged and focus more than they did on ensuring short-term liquidity. But the interests of big banks in Europe, the U.S., the U.K. and Asia diverge, and that threatens to delay agreement on precisely how to implement the general consensus on what needs doing. The last effort took more than a decade.

The budget deficit. With the economy still struggling, it's premature to cut spending or raise taxes now. But pressure on the White House and Congress to offer a road map to a more sustainable fiscal policy is intensifying.

Because the Senate couldn't muster the votes to raise the federal debt ceiling sufficiently high to last through the November elections, the issue comes to the floor again early in 2010. In the past, such measures have become the vehicle to prod Congress to reduce the deficit. This time, a 35-member bipartisan band of senators is backing a bill to create an 18-member commission—16 members of Congress and two Obama administration officials—to come up with spending and tax specifics immediately after the November 2010 congressional elections. Congress would be required to consider them promptly.

President Barack Obama knows deficit-fighting credibility is important to voters and to the nation's creditors, many of them foreign. His February budget, administration officials say, will offer numerical goals to reduce the deficits from today's level, 10% of the nation's output of goods and services to 3% by 2015. Reluctant to offer specifics, the president, too, is likely to back some sort of bipartisan commission.

Commissions represent a failure of the ordinary political process to grapple with significant issues. But there's a growing sense among political insiders that partisan tensions are so acute that only a commission or other device can address the issue.

Write to me at capital@wsj.com. Discuss at wsj.com/capital.

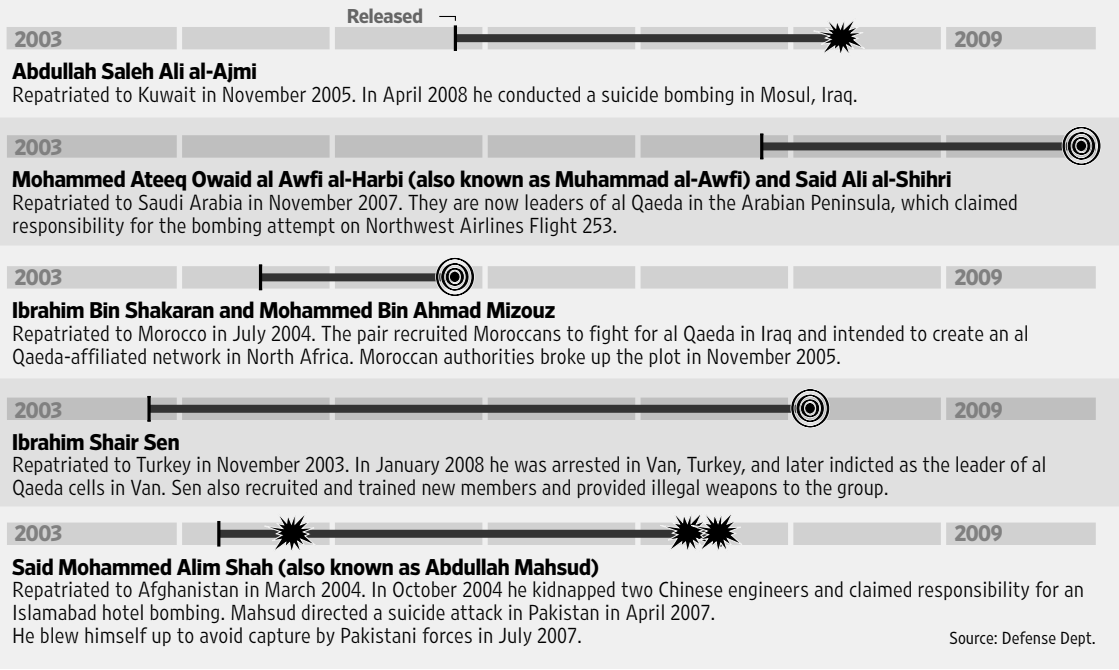
In a Defense Intelligence Agency review of Guantanamo Bay detainees released as of mid-March 2009:

530 had been transferred from Defense Department custody

47 of those were suspected of terrorist activity after release

27 of those were confirmed to have engaged in terrorism after release

Former Guantanamo detainees' terrorist activities


Released
2003
2009
Abdullah Saleh Ali al-Ajmi
Repatriated to Kuwait in November 2005. In April 2008 he conducted a suicide bombing in Mosul, Iraq.
2003
Mohammed Ateeq Owaid al Awfi al-Harbi (also known as Muhammad al-Awfi) and Said Ali al-Shihri
Repatriated to Saudi Arabia in November 2007. They are now leaders of al Qaeda in the Arabian Peninsula, which claimed responsibility for the bombing attempt on Northwest Airlines Flight 253.
2003
2009
Ibrahim Bin Shakaran and Mohammed Bin Ahmad Mizouz
Repatriated to Morocco in July 2004. The pair recruited Moroccans to fight for al Qaeda in Iraq and intended to create an al Qaeda-affiliated network in North Africa. Moroccan authorities broke up the plot in November 2005.
2003
2009
Ibrahim Shair Sen
Repatriated to Turkey in November 2003. In January 2008 he was arrested in Van, Turkey, and later indicted as the leader of al Qaeda cells in Van. Sen also recruited and trained new members and provided illegal weapons to the group.
2003
2009
Said Mohammed Alim Shah (also known as Abdullah Mahsud)
Repatriated to Afghanistan in March 2004. In October 2004 he kidnapped two Chinese engineers and claimed responsibility for an Islamabad hotel bombing. Mahsud directed a suicide attack in Pakistan in April 2007.
He blew himself up to avoid capture by Pakistani forces in July 2007.

Source: Defense Dept.

Dutch order bodyscans

Passengers on all U.S.-bound flights must undergo screening

WASHINGTON—The Netherlands said Wednesday it would immediately begin using full body scanners for flights heading to the U.S., issuing a report that called the failed Christmas Day bombing a "professional" terror attack, according to the Associated Press.

*By **Evan Perez, Siobhan Gorman** and **Jay Solomon***

The announcement came a day after President Barack Obama criticized U.S. intelligence services for failing to prevent the attack.

The U.S. had multiple pieces of information about alleged bomber Umar Farouk Abdulmutallab, according to senior U.S. officials, including intelligence reports and communications intercepts suggesting a Nigerian was being prepped for a terror strike by al Qaeda operatives in Yemen.

The intercepts were collected piecemeal by the National Security Agency, which has been monitoring al Qaeda militants in that country, including former Guantanamo detainees believed to be leaders there.

In addition, the father of Mr. Abdulmutallab met with the Central Intelligence Agency at the U.S. embassy in Abuja, Nigeria, Nov. 19, and told of his son's likely radicalization, U.S. officials say. That led to a broader gathering of agencies the next day, including the Department of Homeland Security, the Federal Bureau of Investigation and the State Department, in which the information was shared, a U.S. official said.

But U.S. officials said it isn't clear whether intelligence officials in Washington charged with coordinating such intelligence activities effectively distributed the information gathered in Nigeria.

President Obama described these lapses in general terms during a sweeping broadside aimed at his government's intelligence services. Citing a "potential catastrophic breach," he said the warning signs, if heeded, would have prevented the attempted bombing on a Detroit-bound airplane.

"A systemic failure has occurred and I consider that totally unacceptable," the president said, referencing "a mix of human and systemic failure." In his comments, the president cited information "that could have and should have been pieced together."

Officials familiar with a review ordered by Mr. Obama say the connections aren't obvious, except in hindsight, and that there doesn't appear to be a single clear warning that should have set off alarms. But if the information had been brought together before Christmas, Mr. Abdulmutallab likely would have been put on a no-fly list and kept off the plane he tried to destroy, the president said.

U.S. and Yemeni authorities said they are investigating whether the bomb plot was hatched by the former Guantanamo Bay prisoners in Yemen, the claimed source of the attack. That development is likely to hinder the Obama administration's effort to release detainees as it attempts to close the prison.

The lapses, and Mr. Obama's critical comments, will focus fresh attention on the operation of the U.S.'s intelligence agencies, particularly the National Counterterrorism Center, or NCTC, a Washington-based body set up after 9/11 to act as a clearinghouse for terrorism data. The U.S. has spent billions of dollars building systems to detect impending attacks, which appear to have failed in this instance.

It has already set off a round of finger pointing among multiple U.S. agencies still stinging from 9/11 and Iraq-related intelligence failures. According to officials, the NCTC has complained that the CIA and NSA didn't provide all the information they had, such as where Mr. Abdulmutallab attended college, while the agencies have said that the counterterrorism center had what it needed to properly assess the threat.

Dennis Blair, the Director of National Intelligence, which oversees the NCTC, said in a written statement that despite improvements to information sharing, "it is clear that gaps remain, and they must be fixed." The NSA didn't respond immediately to requests for comment.

Paul Gimigliano, a CIA spokesman, said the agency first learned of Mr. Abdulmutallab in November, when his father came to the U.S. embassy in Nigeria. He said the agency helped place the Nigerian in the government's terrorist database, including his extremist connections in Yemen, and also forwarded biographical information to the NCTC.

"This agency, like others in our government, is reviewing all data to which it had access—not just what we ourselves may have collected—to determine if more could have been done to stop Abdulmutallab," he said.

The errors could prove a political problem for Mr. Obama, who spoke for the second day running about the attack, after three days of silence. Last weekend, other administration officials, including Homeland Security Secretary Janet Napolitano, argued that air-security systems had worked in the attack's aftermath. Campaign consultants for potential Republican presidential challengers in 2012 have been waiting for an opportunity to paint the president as a soft on terrorism.

A senior administration official said Mr. Obama's Tuesday statement was prompted by a conference call with Gen. James L. Jones, the national security adviser, and other top security officials. The administration's review had uncovered existing "bits and pieces" of information, some of it "incomplete or partial in nature," that taken together constituted an intelligence failure. That included information about the suspect's thinking and his plans, about al Qaeda and its plans, and about potential attacks over the holidays.

The officials said the president stands behind Ms. Napolitano and that her job is secure. A preliminary review ordered by Mr. Obama was due Thursday.

It is rare for a president to publicly reprimand intelligence agencies, particularly when he is relying on them to prosecute two wars. Tuesday's scolding will likely compound an already tense relationship.

—Elizabeth Williamson contributed to this article.

Money lessons from a decade of disappointment can help avoid pitfalls in the future

The best and worst investing trends from the past 10 years, and what they taught us

By Brett Arends

What are the biggest investing lessons of the past decade?

It's been a tough and turbulent 10 years, but if we begin the next decade wiser as well as older then maybe it won't all have passed in vain.

For me, these are some of the main takeaways, lessons and reminders of the past 10 years.

The price something used to be is irrelevant. Just because a stock traded for $100 six months ago doesn't mean it's cheap at $50, or $20, or even $1.50 today. Think of technology stocks from 2000-02, bank stocks from 2007-09, and so on. The same is true, with some extra zeroes, for Miami real estate.

Psychologists call this "anchoring"—we let previous prices influence our views of current value. It's a menace, possibly the biggest peril facing private investors. (The corollary is that market bubbles give you plenty of time to get out when they start to deflate, but too many people hang around because they believe that things can't get any cheaper.)

Have a portfolio that doesn't keep you awake at night. For real people with real lives, investments that let you sleep at night are far more valuable than exciting speculations that offer "pin action" and "momentum." We've just seen why. If we really understand and trust an investment, we're more likely to hang on to it or even buy more, in a crash.

This is a much-overlooked advantage to investing in companies like, say, **Diageo** (Guinness beer, Smirnoff vodka) or **Kraft Foods** (Kool-Aid, Jell-O) or **ExxonMobil**. If you owned them in 2000 and 2006, you were less likely to dump them when things got tough down the line. That's one reason I'm still wary of buying financial stocks in any environment, even if they are cheap.

Beware the phrase "relative value." It's the financial equivalent of "half pregnant"—pure nonsense. Value is value: It's absolute. An investment is inexpensive in relation to its future cashflows, or it isn't. But in every boom, many people are suckered into paying way too much for an asset on the basis that it's cheap relative to other (even more overpriced) assets.

Have the courage of your convictions. Today's investing geniuses started the decade looking like idiots, because they held old-fashioned value stocks, emerging markets, gold and commodities. These investments slumped for years while the likes of **Cisco** and **AOL** made countless paper millionaires. You can look wrong for a long time before you look right.

It was 10 years ago this winter that some of those value stocks hit rock bottom: solid blue-chip companies were boasting 10% dividend yields, but hardly anyone wanted them. The brave made a fortune.

There is no substitute for saving. For most of this decade the U.S. savings rate has been on the floor. Hard to believe today, but earlier this decade some commentators argued that Americans didn't really need to save more because they were making so much money on their stocks and homes.

Bloomberg News

Investors who made a lot of money this dismal decade usually did so by understanding long-term trends like the effect of Chinese economic growth.

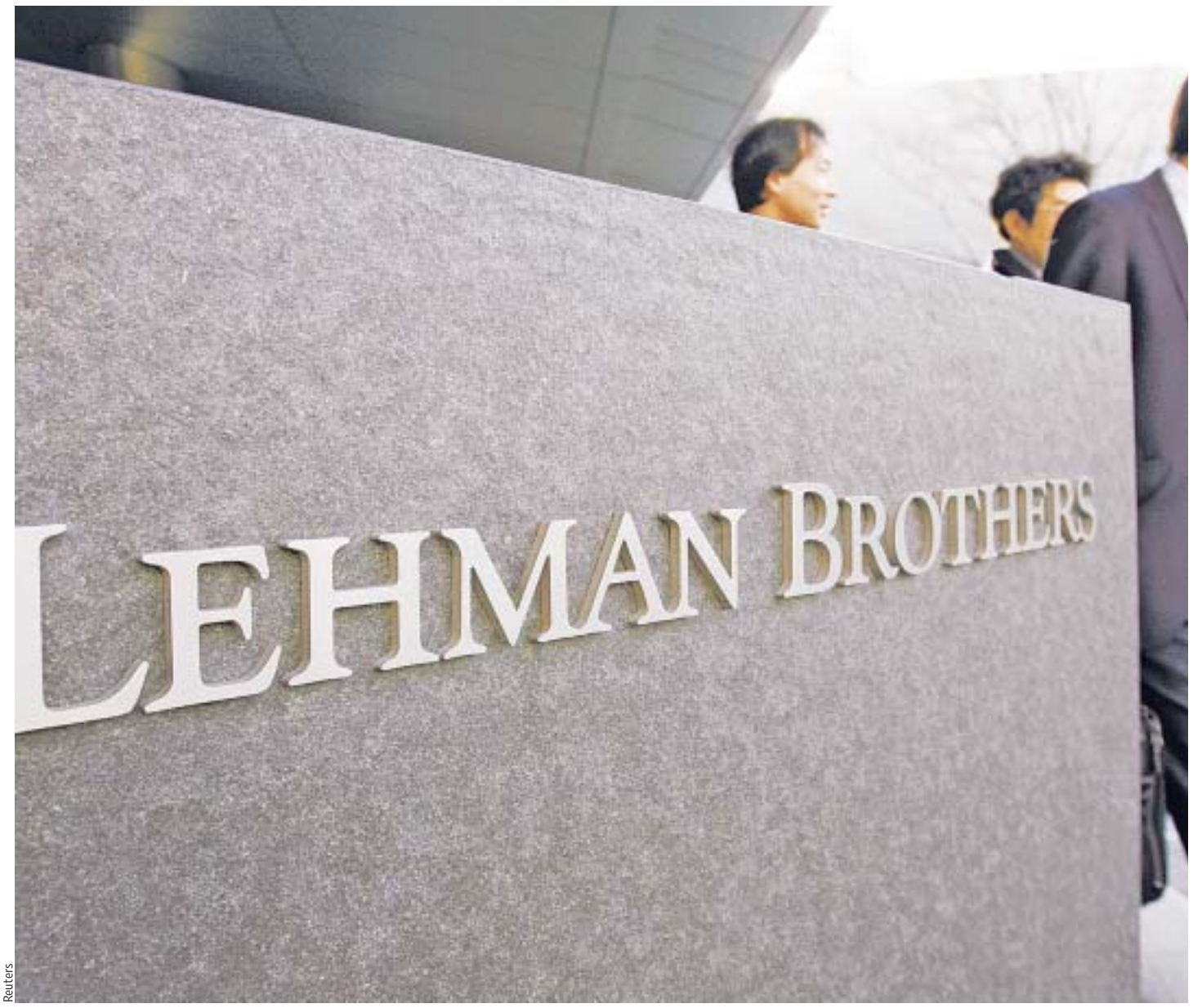
'Relative value' is the financial equivalent of 'half pregnant.' It's pure nonsense. Value is value. In every boom, many people are suckered into paying way too much for an asset on the basis that it's cheap relative to other (even more overpriced) assets.

Saving money is like losing weight. There are no reliable shortcuts. Whatever you make, spend less.

Never confuse a trade with an investment. If you want to speculate on the next bubble, it's up to you. Although risky, bubbles yield the easiest and biggest profits. Just remember it's a trade, a short-term holding, not an investment, which you should expect to hold for years. Just be sure to get out in time. Earlier this decade, too many people decided to call their tech stocks long-term investments once they started tanking, in effect turning a short-term loss into a long-term disaster. (Oh, and a corollary: Never be afraid to take a loss on your trades. The willingness to take a 20% loss may save you a 100% loss).

Daily headlines are less important than long-term trends. The investors I know who made a lot of money this dismal decade usually did so by understanding long-term trends—the effect of Chinese economic growth, supply and demand in the gold market, or burgeoning U.S. debt.

Yet most private investors aren't interested in these long-term stories. They want



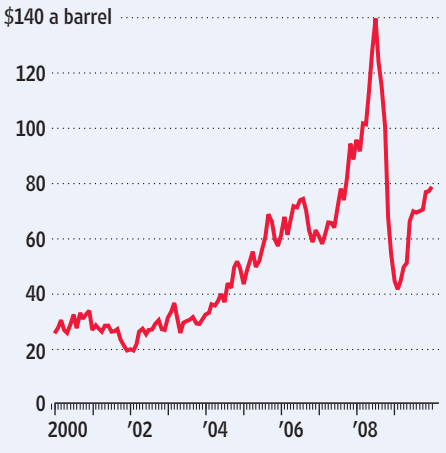
Reuters

Even five years ago few imagined that Bear Stearns and Lehman Brothers would collapse.

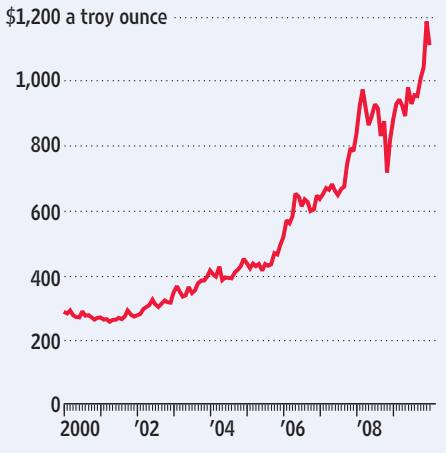
Don't confuse the unlikely with the impossible

Ten years ago it seemed unlikely that oil would rise to $140 a barrel, or that gold would be above $1,000 an ounce.

Daily settlement price on the continuous front-month contract of Nymex crude oil



Daily settlement price on the continuous front-month contract of the Comex gold



Note: monthly prices
Source: Thomson Reuters via WSJ Market Data Group

Bubbles yield the easiest and biggest profits. Just remember it's a trade, a short-term holding, not an investment, which you should expect to hold for years.

to hear about short-term news—quarterly earnings, takeover talk, market "action" and so on. What do you think investors paid more attention to back in 2001—Cisco's latest update on industry conditions, or the gold price? In retrospect, which turned out to be more interesting?

You can't time the market perfectly, but you can usually value it accurately. Investing more when assets are cheap, and less when they are expensive, is both doable and profitable. If you are patient and use dollar-cost averaging to smooth your way in, you will generally make good money over time. The finance industry repeats the self-serving mantra "you can't time the market" to keep you fully invested all the time. That's true in the narrowest sense that you usually can't pick the perfect moment when things will turn. But you don't have to.

Take expert forecasts with a grain of salt. In February 2008, fewer than half the economists surveyed by the National Association of Business Economics said they expected a U.S. recession that year; those who did expect a downturn predicted its effects would be "relatively muted."

What is remarkable is not merely that the actual recession proved the worst since World War II, but that by the time of this survey the economy was already in recession (according to later reports). The opinions of stock analysts can be similarly fallible, especially when most analysts seem to agree. A case in point: At the peak of the U.S. housing bubble, when home-building stocks were at crazy valuations, most construction industry analysts were bullish.

You have to stay in the game. One danger from the past 10 years is that people will walk away from investing altogether and instead keep their money in the bank. It's a terrible idea. Cash is a very poor long-term home for your money. After taxes and inflation you'll be lucky to come out ahead. Inflation remains the quiet menace that investors too often underestimate. This has been a "low inflation" decade, when the U.S. consumer price index has risen by a pretty modest 2.6% a year. But even at that rate, the purchasing power of a dollar has still fallen by about a quarter since 1999.

Never confuse the unlikely with the impossible. Ten years ago it seemed unlikely that **Enron** and **WorldCom** (and Bernie Madoff) were giant frauds, or that oil, recently $10 a barrel, would rise to $140, or that gold would skyrocket above $1,000 an ounce, or that stocks in boring "old" Europe would outperform Wall Street.

Even five years ago few imagined real estate would crash across the U.S., or that **Bear Stearns** and **Lehman Brothers** would collapse, or **Fannie Mae**, **Bank of America** and **AIG** would all need a rescue. Yet all came to pass. It's a fair bet that some of the things that happen over the next 10 years seem just as implausible today.

Families share advice on finances

By Laura Santini

HONG KONG—Call it a support group for the rich.

A few weeks ago, a group of Asia's wealthiest families got together to discuss perils they face as family business owners. Items on the agenda of their two-day conference in Singapore included their sometimes fraught relationship with private banks and the grooming of children and grandchildren to become future leaders at their companies.

The conference was one of the first events held by the newly formed Family Business Network Pacific Asia, a loose organization of wealthy Asian families that plans to meet regularly to discuss some of their most pressing challenges. The network was formed by Frederick Tsao, who took the helm at Singaporean shipping company IMC Corp. from his father, Frank Tsao.

According to people close to the group, part of the impetus behind establishing the network—the Asian chapter of an international organization formed in Switzerland nearly two decades ago—is to foster independence from external financial advisers. Private bankers, in particular, have drawn flak for pushing investments that resulted in big losses during financial turmoil.

In 2008, many wealthy Asian investors incurred big losses on so-called accumulators, structured products carrying huge risk if stock prices tanked, as they did that year.

As a consequence of that financial pain, some families are considering setting up family offices—separate from the family business and independent of a specific bank—to oversee their finances. Until now, some families have either relied on their relationships with bankers or have tapped individuals at their companies to manage their assets part-time, wealth experts say.

Private banks and wealth advisers are beefing up their presence in Asia, a potential major source of growth. But trust in their services is an issue. Compensation in the region is still more tightly wound with the ability to sell investment products than in Europe or the U.S., say private bankers and wealth experts. In addition, private banks may not have experienced hands in the region to help wealthy families navigate the difficulties of corporate succession and estate planning. Many private banks in Asia rely on revenue generated from setting up plain-vanilla trusts, which designate a beneficiary to inherit a wealthy individual's corporate shares and other assets.

Asia's rich families are dogged by challenges that differ from those affecting heir counterparts in the U.S. and Europe, wealth experts say. "The key difference is that emerging markets represent a more hostile business environment," says Joseph Fan, a finance professor at the Chinese University of Hong Kong, who has studied the transfer of power within family-controlled Asian businesses. In Asia, as in other emerging markets, Mr. Fan explains, the lack of reliable legal systems and the prevalence of corruption places a bigger emphasis on the importance of relationships.

Many of Asia's largest and most well-known private companies face the thorny issue of shifting oversight of the business to the next generation. In a study published two years ago, Mr. Fan found that only 30% of Asian family-owned businesses successfully make the transition to second-generation ownership; fewer than 5% are able to pass the reins to the third generation.

Failure is often unrelated to problems managing the business, says Mr. Stewart. "A lot of conflict that occurs is about tension between the roles people play in the family versus the business," he says.

ON OTHER FRONTS

Saying 'sayonara' to the rabbit hutch

Japanese women try living with roommates as big, vacant apartments make perfect space for people on a budget

By Mariko Sanchanta

TOKYO—Olivia Burrell, a 32-year-old Canadian gospel singer, was fed up with living in Lilliputian studio apartments in Tokyo where she could see (and smell) her kitchen from her bed.

Three months ago, she took the plunge and moved in with five Japanese women living in a six-bedroom apartment in Harajuku, a buzzy neighborhood in the city center.

But, so far, her roommate experience hasn't quite been the Japanese version of "Friends" she had envisioned. Ms. Burrell walked into the kitchen one evening to find no fewer than eight separate bottles of dishwashing liquid on the kitchen counter, all neatly lined up and labeled with their owners' names.

"My roommates are neat and very courteous," says Ms. Burrell, who has lived in Japan for seven years and who had lived with roommates in Canada. "But this whole concept is new here, and people don't naturally want to share things as much."

Japan has no real tradition of roommates: People have preferred to live in their own tiny places. Now, fed up with a dearth of reasonably priced apartments in desirable Tokyo neighborhoods, a rising number of relatively affluent women in their 20s and 30s have started to create demand for a radical new segment of the Japanese real-estate market: apartments to share.

The timing of the trend coincides with a glut of upscale apartments in Tokyo, which have flooded the market since the collapse of Lehman Brothers in 2008. Foreign bankers decamped, leaving behind many three- and four-bedroom apartments, popular with expatriates, which have been vacant for months.

Kumi Tahara, 27, and Kana Arai, 32, stepped into the void, founding a real-estate agency named "Tokyo Girls' Real Estate." They persuaded some landlords to let them slice up four-bedroom apartments into as many as 10 smaller rooms, which they then started renting out to young Japanese women. "After the Lehman shock, a lot of *gaijin* [foreigners] left, and there are some places that have been vacant for more than half a year," says Ms. Arai, who wears a pink sequined bow on her head and favors miniskirts and knee-high boots. "The landlords pay the redesign fees and we're able to increase the rent."

Ko Sasaki for The Wall Street Journal

Kana Arai, left, and Kumi Tahara founded real-estate agency 'Tokyo Girls' Real Estate.' By catering to working women in their 30s, the firm aims to capitalize on a rare real-estate market niche in Japan—apartments to share.

One apartment in Roppongi, the expat mecca in Tokyo, commanded 450,000 yen a month ($5,000) before its previous tenants left. Ms. Tahara and Ms. Arai redesigned the place, chopping it up into eight small rooms that are nine square meters each, which they rented for 80,000 yen apiece. The net result: They increased rental income by 190,000 yen a month, of which they receive a 10% cut.

"The market is improving a little bit, but it's nowhere near as robust as it was before" Lehman's woes says Keiko Matsumoto, a manager at Ken Real Estate Investment Advisors Ltd., an agent that caters to expats and high net-worth Japanese. "I think the idea of facilitating shared housing is very smart in this environment."

In Tokyo, one of the world's most densely populated cities, the concept of having roommates or sharing quarters has never been popular. The majority of young Tokyoites choose to live in cramped, cluttered, studios known as *usagi goya* in Japanese, or "rabbit hutches."

It has been thought preferable to live in a shoebox than to share a space with strangers. The lack of roommate-friendly apartments was also driven by developers who built up apartment complexes over the decades that were often chopped up into tiny, single rooms to maximize rental income.

Ms. Tahara, a former Japan Airlines check-in attendant, and Ms. Arai met at a real-estate agency and took note of the numerous requests for roommates they received from young, female clients. They sensed there was a business idea in all of the requests and started their company two years ago. Since the inception of Tokyo Girls' Real Estate, they have placed more than 100 women in 12 properties.

Ms. Tahara says the company is profitable. Theirs is the only agency in Tokyo that caters exclusively to working women in their 30s. Other "shared housing" businesses exist, but most handle old buildings in less desirable locations that cater to backpackers, foreigners on a short stay or old people.

Central to the success of Ms. Arai and Ms. Tahara's business is that they redecorate and redesign interiors themselves, adding touches such as claw-footed bathtubs, gold wallpaper, pink rhinestones and disco balls. The uninspiring apartments end up as fantasy playlands. "I used to live in a shared home in Tokyo, but it was so old and falling apart—freezing in the winter, and sweltering in the summer," says Ms. Arai. "These represent the dreams of these women, transformed into reality. We put lights on mirrors, so when they put on makeup they feel like actresses."

But the newness of this roommate culture in Japan means that many young women aren't prepared for what it's like to share housing. Ms. Arai and Ms. Tahara, who mediate disputes, say one of the biggest issues is hair clogging up the shower drain.

And men aren't ever allowed inside the women's shared homes. Ms. Tahara and Ms. Arai believe that the apartments should be a refuge for women. "If there was some sort of problem, then we couldn't be responsible for it," says Ms. Tahara. "And if a guy ended up staying over a lot and used water and electricity, it would create an unfair burden on the others."

Ms. Arai and Ms. Tahara interview all of the potential tenants before they sign a lease.

Demographic shifts in Japan have created a breed of single women who work late, are often out on the weekends and just want a convenient place to crash. "The average age for marriage in Japan is steadily increasing, and fewer females want to live at home with their parents," says Takanori Nakamura, a senior research and development director at **Hakuhodo** Inc., a Japanese advertising agency. "Meanwhile, salaries are decreasing and women want to maintain their lifestyles. Rent is the first thing they cut."

Each apartment that Ms. Arai and Ms. Tahara redecorate is done with a concept in mind. The theme of the Harajuku apartment, where Ms. Burrell lives, is "Saturday Night Fever."

"The design here is very cute," says Sachiko Saito, a 28-year-old systems engineer who moved into the apartment last week. "Japanese people aren't used to the idea of sharing an apartment, but I don't think it's very difficult. I specifically looked for places on the Internet that I could share with others."

Ms. Burrell, who speaks Japanese, says she was bummed out at first about the "no men" rule. "I was a little disappointed because I have a lot of male friends, but, ultimately, it makes sense. There are a lot of good things about sharing. After living alone for so long here, I needed to be more conscious of people. I'll learn a lot."

WSJ.com

Online today See a video about shared living spaces in Tokyo at **WSJ.com/PageOne**

Chinese author is open to settlement with Google

By Loretta Chao

BEIJING—The first Chinese author to sue **Google** Inc. for publishing book extracts online without her consent is open to an out-of-court settlement but won't take back her demand for an apology, her lawyers said Wednesday.

Mian Mian, the Shanghai-based author whose books about love affairs, drug abuse and suicide once were banned in China, is suing Google in China for a public apology and 60,000 yuan ($8,800) for publishing parts of her novel "Acid Lover."

The lawsuit comes weeks after a Paris court ordered the Internet giant to pay $430,000 to French publisher La Martiniere and to remove online extracts to its books, a ruling that could set a legal precedent for future copyright-infringement cases in France and which dealt a blow to the company as it tries to build a global digital library of millions of books.

Google didn't respond to requests for comment. In an earlier statement, the Mountain View,Calif., company defended its practices, saying it doesn't publish full texts unless rights owners agree to a settlement, and for all other books only snippets would be published. In addition, rights owners who don't want their books to be included at all can request to have them removed.

Battles over digital-publishing rights are new to China, where industry associations say unlicensed books, software, music and films are cheaply purchased or downloaded for free at the highest rates in the world.

The government has made moves to crack down on Internet piracy in recent years, including the investigation and subsequent criminal prosecution earlier this year of one of the biggest pirates of **Microsoft** Corp.'s Windows operating system in the country.

Still, piracy is rampant—many Web sites here publish entire books and, unlike Google, they don't offer royalties to authors.

Mian Mian's lawyer Sun Jingwei told reporters he met with Google's lawyers and was open to negotiating a settlement with the company. But, while Google has already removed "Acid Lover" from its library, the author's requirement of an apology is nonnegotiable, he said.

"It's Mian Mian's belief that she should not only sue Google, but also beat its arrogance," Mr. Sun said.

Google has been working with U.S. libraries and several European publishers to build its digital library by scanning millions of books since 2004. In China, at least 50 publishers covering 30,000 books participated in Google Books. Still, the company has faced opposition from rights owners world-wide. In the U.S., the Authors Guild said it considers the practice of publishing book extracts without permission to be infringement. The Authors Guild and the Association of American Publishers sued Google but ultimately reached a settlement with the company that is under court review.

Many Web sites in China publish entire books and, unlike Google, they don't offer royalties to authors.

Mr. Sun said "Acid Lover" was never published by Google in its entirety, but because the company profits from its publishing of excerpts, Mr. Sun says, it is infringement to scan and use contents of the book without prior permission from the author.

"Google scanned and uploaded the books first and then turned to authors for settlement," he said. "This is not reasonable. You should settle the issue first and then scan and upload the books, not committing infringement first."

—Gao Sen contributed to this article.

Union Baggage Claims

The notion that unionized airport baggage screeners in Detroit could have prevented Umar Farouk Abdulmutallab from boarding a plane in Amsterdam or Lagos doesn't make much sense. But sure enough, some in Congress are using the thwarted Christmas Day terrorist attack to argue that a new leader for the Transportation Security Administration could have saved the day.

Jim DeMint

Rahm Emanuel's famous declaration that a crisis is a terrible thing to waste seems to have become a way of Washington life.

That's the meaning of the political and media beatdown now being visited on Republican Senator Jim DeMint for the high crime of putting a hold on the nomination of Erroll Southers to head TSA, which runs the 50,000 airport screeners. Mr. DeMint objects because Mr. Southers has refused to say whether he would reverse current policy and back collective bargaining for baggage and passenger screeners, which the Obama Administration and Democrats on Capitol Hill support.

Thus the faux security outrage. "If TSA is to become the kind of nimble, responsive organization the American people deserve in times like this, it will need a Senate-confirmed administrator," said House Homeland Security Chairman Bennie Thompson on Monday. "If nothing else, the events of last week highlighted this lack of leadership."

> Flight 253 becomes an excuse to organize airport screeners.

They did? We thought the episode highlighted the dangers of Yemen as a radical Islamist sanctuary and the failure to revoke a visa to Mr. Abdulmutallab despite warnings from his father—neither of which have much to do with TSA.

A spokesman for Senate Majority Leader Harry Reid also couldn't resist displaying his boss's union baggage, calling Senator DeMint's actions "disgraceful" and claiming that "Republican obstructionism has prevented TSA from having the leadership in place that the organization deserves." Mr. Reid's 24/7 forced health-care march has made him even crankier than usual.

Neither Democrat mentioned that President Obama didn't bother to nominate Mr. Southers to fill the TSA post until September, nor that Democrats didn't vote the nominee out of committee until the middle of last month. Such a languid pace hardly suggests that they considered the TSA job to be vital to national security.

By contrast, Mr. DeMint's objection is rooted in a substantive concern that union practices and work rules will compromise security. TSA uses a performance pay system that tries to reward ability and effort, with the goal of recruiting and retaining the best employees. Unions prefer seniority-based pay that puts a premium on time served rather than performance.

TSA also needs to be able to change its procedures or move personnel to high-risk locations on short notice. Agency managers now have the ability to do that, but under union work rules they might need to get the permission of union leaders, who won't want to upset the rank-and-file.

In other words, Congressman Thompson has it exactly backwards. If the goal is to have a "nimble, responsive" TSA, a non-union work force makes more sense.

TSA employees already have the right to join the American Federation of Government Employees (AFGE) and the National Treasury Employees Union, but the unions are not allowed to bargain on their behalf. Gale Rossides, the acting head of TSA, has declined to change the policy on collective bargaining, as has every previous TSA leader.

But during last year's Presidential campaign, Mr. Obama sent a letter to the AFGE seeking an endorsement and expressing support for collective bargaining for TSA employees. He got the endorsement, and now he's trying to pay the union back with 50,000 new dues-paying members. Homeland Security Secretary Janet Napolitano said earlier this year that she was exploring whether she had the legal authority to give TSA workers the right to bargain.

We don't like the practice of Senators putting holds on nominees, preferring up or down votes. But Democrats did this routinely during the Bush years—remember John Bolton—and they hardly have standing to object now that Republicans are returning the favor. And to the extent that Mr. Southers would unionize airport screeners, he'd be the one doing more potential harm to national security.

Hanoi Human-Rights Crackdown

A Hanoi court on Monday convicted former army officer Tran Anh Kim of "carrying out activities aimed at overthrowing the people's administration" and sentenced him to five-and-a-half years in prison. His "crime" was to post pro-democracy articles on his Web site. The presiding judge dubbed this a "violation of national security" under Article 79 of the penal code.

The verdict represents a serious backtrack on human rights. Hanoi last used "subversion" to repress peaceful dissent in 1988, when two Buddhist monks were convicted and sentenced to death for demanding religious freedom, until international protests forced the government to commute the sentences to 20 years in jail.

Mr. Kim's conviction is the first in a series of five trials of democratic reform supporters to come over the next few months, including that of Le Cong Dinh, an American-educated lawyer who has defended human-rights supporters and called for multiparty democracy. Like Mr. Kim, the four others were arrested this summer and charged with spreading anti-government propaganda. They were formally charged last week with attempting to overthrow the state.

It's unclear why Vietnam's leaders are suddenly taking such a hard line against freedom of expression. Mr. Kim's conviction may simply be a panicked reply to an opposition gaining grassroots support. Or it may be an attempt to send a message to pro-reform cadres and unify the Party in advance of next year's National Congress.

Whatever the reason, Mr. Kim's conviction sends a clear message that despite Vietnam's aspirations to integrate more closely with the rest of the world through trade and political dialogue, it is still at root a deeply insecure and backward authoritarian regime. Its people, represented so bravely by Mr. Kim and other dissidents, deserve better.

Dissident Iran Rises

On Sunday bloody street battles in cities across Iran exposed the regime's brutality for all the world to see. On Monday, the government restarted one of the darker arts it has mastered: grabbing its democrats and stuffing them in a hole.

Among the dissidents arrested was veteran democratic activist Heshmat Tabarzadi. On December 17, Mr. Tabarzadi wrote in an op-ed article on these pages that "If the government continues to opt for violence, there very well may be another revolution in Iran. One side has to step down. And that side is the government—not the people."

> It is time for the West to learn to say the names of Iran's democrats.

Mr. Tabarzadi's home in Tehran is under constant surveillance, so he knew the risks he took when he published an article in The Wall Street Journal under his own name. This is a man who appreciates the consequences of calling publicly for democracy: He spent nine years in Iran's notorious Evin prison, including two in solitary confinement, for his activities as a student leader.

On Sunday evening, Mr. Tabarzadi was interviewed on Voice of America Persian. He said he had never seen such vast protests, and he cautioned the demonstrators against resorting to violence.

The regime's response came early on Monday, when the Iranian intelligence service knocked on Mr. Tabarzadi's door. When he asked to see their warrant, they barged into his home with force. According to a prominent activist who spoke with Mr. Tebarzadi's family, the agents seized his papers, articles, books and computer, arresting him in front of his wife and son. Multiple calls to his home went unanswered, and no one knows where Mr. Tabarzadi is being held.

Mr. Tabarzadi's Facebook page is covered with posts in Farsi praising his bravery and demanding his release. One man wrote: "We demand the immediate release of all freedom fighters in Iran. Blessed be all the freedom lions of Iran—down with the murderous tyrants." A woman wrote: "Heshmat Tabarzadi, the tireless freedom fighter, was arrested along with other activists following yesterday's events. . . . We demand their release."

There are many others. Among the most significant are former foreign minister Ebrahim Yazdi, the secretary general of the outlawed Freedom Movement of Iran. During June's protests, the 78-year-old cancer survivor was arrested by security forces directly from the hospital in Tehran where he was undergoing treatment. This time, they've reportedly rounded up his niece as well.

Prominent human-rights activist Emad Baghi was among those taken. This year, Mr. Baghi received the Martin Ennals Award—the Nobel Prize for human rights—and was banned from traveling to receive it in person.

Dr. Nushin Ebadi, the sister of Nobel peace laureate Shirin Ebadi, was arrested in her home. So was women's-rights activist Haleh Sahabi. So too were Morteza Haji, an aide to reformist former president Mohammad Khatami, and several aides to reformist leader Mir Houssein Mousavi.

These names may be hard to keep track of. But so, once, were those of Solzhenitsyn, Sakharov and Sharansky. In an overdue and brief statement on Sunday, President Obama called for the "immediate release of all who have been unjustly detained within Iran." It's time for the White House and the rest of the U.S. government to start learning to pronounce the names of Iran's dissidents.

Pepper . . . and Salt

THE WALL STREET JOURNAL

"This year I'm serious about my resolution to go the gym. Last year I went only twice, once to join and once to renew."

OPINION

A Blot on Bangkok's Humanitarian Record

By Elaine Pearson

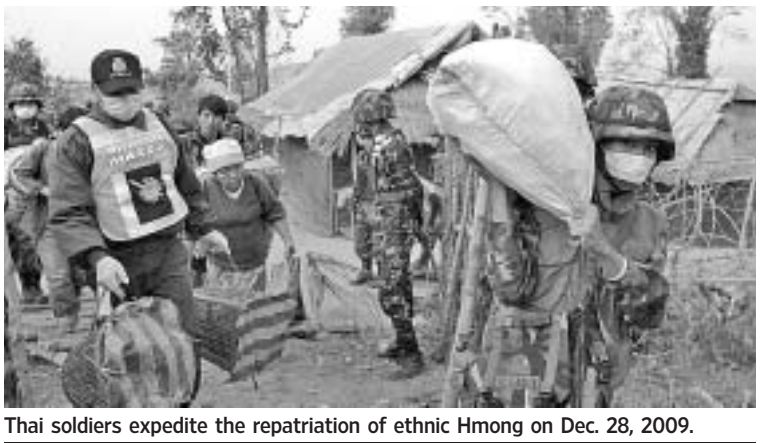
Bordered by authoritarian regimes, Thailand has long struggled to deal with waves of asylum seekers. But Bangkok's decision to repatriate ethnic Hmong to Laos this week stands as a blot on the nation's reputation as a humane port of refuge.

A force of 5,000 Thai army and police personnel forcibly expelled more than 4,500 men, women and children to one of Southeast Asia's most repressive states Monday. The group included 158 refugees held at Nong Khai who were accepted for resettlement in countries such as Australia, Canada, the Netherlands and the United States. The rest, held at Huay Nam Khao, were denied access to the United Nations High Commissioner for Refugees, which stood ready to evaluate their asylum claims. In the lead-up to the deportation, the army jammed the Hmong's cell-phone signals and rounded up 130 leaders, presumably to squash attempts to protest.

Thailand has tried to put a good face on its actions, claiming the Hmong were "economic migrants," rather than refugees deserving of U.N. protection, and that their return was voluntary. Foreign Minister Kasit Piromya said Tuesday that Laos guaranteed protection for the repatriated group, but didn't provide any specific details. Prime Minister Abhisit Vejjajiva assured local media outlets Saturday that the government would "take law and humanitarian principles into consideration" in dealing with the Hmong.

Yet the evidence suggests otherwise. Bangkok denied multiple requests from UNHCR to conduct refugee screening for the Hmong held at Huay Nam Khao, ignored appeals from the U.N., U.S. and European Union not to send the Hmong back to Laos, and blatantly violated the principle of nonrefoulement under international customary law, which prohibits the forcible return of refugees to places where they would likely face persecution. The Thai government has refused to reveal the contents of its bilateral agreement with Laos concerning the repatriation.

Laos has a terrible human-rights track record, especially concerning the Hmong, who allied with the U.S. during the Vietnam War. Since then, the Lao government has subjected the Hmong to extrajudicial killings, arbitrary detention, enforced disappearances and systematic discrimination. The military still pursues Hmong groups in jungle hideouts that it accuses of anti-government activity and insurgency. Over the years, hundreds of thousands of Hmong have passed through refugee camps in Thailand on the way to resettlement overseas—which makes the forced expulsion of the Hmong on Monday all the more puzzling and troubling.



Reuters

Thai soldiers expedite the repatriation of ethnic Hmong on Dec. 28, 2009.

While all the Hmong deportees are potentially at risk, Human Rights Watch is especially concerned for the safety of the 130 Hmong held at Huay Nam Khao, who were singled out by the Thai army as camp leaders. They were segregated from other Hmong deportees, detained in mobile prison trucks and handed directly over to the Lao army. We also have serious concerns for the safety of several hundred repatriated Hmong whom the Thai army screened and found to have valid protection claims.

If history is any guide, the Laos government isn't likely to release any information about the repatriated Hmong. Vientiane-based U.N. officials and foreign diplomats have historically only been allowed heavily scripted visits to model Hmong resettlement sites, with Laos government officials ever-present. The Lao government says it will treat the Hmong humanely, yet so far it has not provided detailed information specifying the location of all Hmong returnees, and it has made no commitment to allow the continuous and unfettered international monitoring which is necessary to ensure their safety.

Thailand's hands aren't tied. Bangkok could immediately release the full list of Hmong forcibly returned to Laos, along with information derived in the Thai army screening process at Huay Nam Khao, so that UNHCR and concerned governments can track the fate of the repatriated refugees. The U.S. government has made multiple requests for the list but so far has received nothing. Thailand could also to press Vientiane to ensure international monitors have unfettered access to all Hmong returnees. And ultimately, targeted sanctions against the Lao government and its leadership could be considered.

Thailand has faced large refugee flows from Burma and Laos. But the U.S. and other concerned nations, in concert with the U.N., have been trying to work with Thailand to process and place refugees in welcoming nations abroad. Monday's forced repatriation may seem expedient, but it isn't humane, nor is it the only solution.

Ms. Pearson is the deputy director of Human Rights Watch's Asia division.

The Best Is Yet to Come

[Bookshelf]

Sonic Boom
By Gregg Easterbrook
(Random House, 243 pages, $26)

By Adrian Wooldridge

Two years ago, as the world flirted with a second Great Depression, Gregg Easterbrook was in the midst of writing a book about the coming economic boom. A less confident writer might have abandoned the project in despair. But Mr. Easterbrook, a graduate of the New Republic's school of contrarian journalism, forged on regardless. The result is a book that is both a pleasure to read and a valuable corrective to the gloom that currently envelops us.

The big idea behind "Sonic Boom" is that globalization—celebrated, reviled and analyzed for at least a decade now—has hardly begun. The world, Mr. Easterbrook believes, is on the verge of a period of pell-mell integration that will dwarf anything before now, and a good thing too: The coming age of global integration, he argues, will produce riches that none of us can imagine and scatter them more widely than ever before. But it is a good thing that comes wrapped in a paradox: Growing prosperity will also produce growing anxiety. If the besetting malady of the 19th century was "quiet desperation," as Henry Thoreau wrote in "Walden," then the besetting malady of the 21st will be noxious nervousness—a pervasive sense of anxiety about job security and impending disasters. Mr. Easterbrook is not entirely alone in his boosterish outlook. Consultancies such as McKinsey and the Boston Consulting Group have laboriously documented how far globalization still has to go, and every issue of Wired magazine celebrates our technologically enabled and globally integrated future. Mr. Easterbrook is also guilty of scooping himself: His previous book, "The Progress Paradox" (2003), tried to explain why so many people think that the goddess progress wears a crown of thorns.

Still, Mr. Easterbrook tell his story well, with social portraiture, striking facts and sharp anecdotes aimed at puncturing common misconceptions about economic change. He begins "Sonic Boom" with a portrait of Shenzhen, China—a city that did not exist a generation ago but now has nine million inhabitants. Paris and London took generations to build. The glittering new urban centers of postwar America such as Atlanta and Los Angeles took half a century to reach their current glory. But Shenzhen has arisen during the lifetime of its current inhabitants, a testament to the sonic qualities of its commercial dynamism.

But Mr. Easterbrook is not offering just another account of the shift in economic opportunity from the West to the East. Instead, he wants to show how a rapid reconfiguration of resources is benefitting all sorts of unexpected people and places.

Be careful what you wish for: Globalization has hardly begun, but its benefits come with a price.

Waltham, Mass., and Erie, Pa., are both archetypical American industrial towns that looked as if they were doomed a generation ago. But Waltham is now booming thanks to its proximity to the great idea factories of Cambridge and Boston. The city is home to dozens of high-tech and venture capital firms and houses the headquarters of Global Insight, a consultancy that sells a billion dollars of economic analysis a year to American companies, most notably Wal-Mart.

Erie may not be booming, but it is doing better than it has for decades, thanks to General Electric's willingness to ignore Wall Street analysts (who said that manufacturing was dead and the future lay in finance) and make a bet on renovating its locomotive plant. Today the plant is an important profit center, and trains are the apple of everybody's eye, including Warren Buffett's, while GE's financial-services division was the source of almost all the company's recent losses.

What explains these economic reconfigurations? Mr. Easterbrook trots out familiar arguments about the role of intellectual capital and the importance of venture capital. He quotes more than once an estimate from the American Academy of Sciences that 85% of economic growth is now produced by new ideas. He notes that in 2007, companies that were founded by entrepreneurs backed by venture capitalists provided 10.4 million American jobs and generated $2.3 trillion in revenues (a sum equal to France's GDP).

But he is at his most interesting on a subject that he seems slightly reluctant to embrace—the creativity of the manufacturing sector. Manufacturing companies have done a much better job of improving their productivity than sexier service companies. The average car bought today costs 6% less than the average car bought a decade ago and is stuffed full of clever gadgets. America produces more steel today than it did 30 years ago, despite the shuttered plants and slimmed-down work force.

Manufacturers have also been much better at responding to the pressures of globalization. Haier, a Chinese domestic-appliance maker that had such a bad record for quality a generation ago that the Chinese used its washing machines to store coal, is now a world-class company with its American headquarters in Camden, S.C. General Electric sells 40% of the locomotives that it makes in Erie to China.

Mr. Easterbrook is right to argue that we should try to see the hand of progress in what can often seem like simple turmoil. Sixty million Americans may change their jobs in the average year, but most of the time the number of jobs available expands rather than contracts. The daily news may be fixated on death and disaster, but the chances that the average person will meet a violent death are lower than they have ever been. "Noxious nervousness" may be an ever-present temptation, but we should look for the big trends behind the daily headlines and take a little more time to celebrate. As for the economic crisis that has just nearly ruined us, Mr. Easterbrook reminds us in one of the many aperçus that enliven "Sonic Boom," capitalism is the only economic system in history that is rendered stronger by its own instability.

Mr. Wooldridge is The Economist's management editor and the author of its Schumpeter column.

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OPINION

The Price for Fannie and Freddie Keeps Going Up

By Peter J. Wallison

On Christmas Eve, when most Americans' minds were on other things, the Treasury Department announced that it was removing the $400 billion cap from what the administration believes will be necessary to keep Fannie Mae and Freddie Mac solvent. This action confirms that the decade-long congressional failure to more closely regulate these two government-sponsored enterprises (GSEs) will rank for U.S. taxpayers as one of the worst policy disasters in our history.

Barney Frank's decision to 'roll the dice' on subsidized housing is becoming an epic disaster for U.S. taxpayers.

Fannie and Freddie's congressional sponsors—some of whom are now leading the administration's effort to "reform" the financial system—have a lot to answer for. Rep. Barney Frank (D., Mass.), chairman of the House Financial Services Committee, sponsored legislation adopted in 2008 that established a new regulatory structure for the GSEs. But by then it was far too late. The GSEs had begun buying risky loans in 1993 to meet the "affordable housing" requirements established under congressional direction by the Department of Housing and Urban Development (HUD).

Most of the damage was done from 2005 through 2007, when Fannie and Freddie were binging on risky mortgages. Back then, Mr. Frank was the bartender, denying that there was any cause for concern, and claiming that he wanted to "roll the dice" on subsidized housing support.

In 2005, the Senate Banking Committee, then controlled by Republicans, adopted tough regulatory legislation that would have established more auditing and oversight of the two agencies. But it was passed out of committee on a partisan vote, and with no Democratic support it never came to a vote.

By the end of 2008, Fannie and Freddie held or guaranteed approximately 10 million subprime and Alt-A mortgages and mortgage-backed securities (MBS)—risky loans with a total principal balance of $1.6 trillion. These are now defaulting at unprecedented rates, accounting for both their 2008 insolvency and their growing losses today. Since 2008, under government control, the two agencies have continued to buy dicey mortgages in order to stabilize housing prices.

There is more to this ugly situation. New research by Edward Pinto, a former chief credit officer for Fannie Mae and a housing expert, has found that from the time Fannie and Freddie began buying risky loans as early as 1993, they routinely misrepresented the mortgages they were acquiring, reporting them as prime when they had characteristics that made them clearly subprime or Alt-A.

In general, a subprime mortgage refers to the credit of the borrower. A FICO score of less than 660 is the dividing line between prime and subprime, but Fannie and Freddie were reporting these mortgages as prime, according to Mr. Pinto. Fannie has admitted this in a third-quarter 10-Q report in 2008.

An Alt-A mortgage is one in which the quality of the mortgage or the underwriting was deficient; it might lack adequate documentation, have a low or no down payment, or in some other way be more likely than a prime mortgage to default. Fannie and Freddie were also reporting these mortgages as prime, according to Mr. Pinto.

Newscom

It is easy to see how this misrepresentation was a principal cause of the financial crisis.

Market observers, rating agencies and investors were unaware of the number of subprime and Alt-A mortgages infecting the financial system in late 2006 and early 2007. Of the 26 million subprime and Alt-A loans outstanding in 2008, 10 million were held or guaranteed by Fannie and Freddie, 5.2 million by other government agencies, and 1.4 million were on the books of the four largest U.S. banks.

In addition, about 7.7 million subprime and Alt-A housing loans were in mortgage pools supporting MBS issued by Wall Street banks—which had long before been driven out of the prime market by Fannie and Freddie's government-backed, low-cost funding. The vast majority of these MBS were rated AAA, because the rating agencies' models assumed that the losses that are incurred by subprime and Alt-A loans would be within the historical range for the number of high-risk loans known to be outstanding.

But because of Fannie and Freddie's mislabeling, there were millions more high-risk loans outstanding. That meant default rates as well as the actual losses after foreclosure were going to be outside all prior experience. When these rates began to show up early in 2007, it was apparent something was seriously wrong with assumptions on which AAA ratings had been based.

Losses, it was now certain, would invade the AAA tranches of the mortgage-backed securities outstanding. Investors, having lost confidence in the ratings, fled the MBS market and ultimately the market for all asset-backed securities. They have not yet returned.

By the end of 2007, the MBS market collapsed entirely. Assets once carried at par on financial institutions' balance sheets could not be sold except at distress prices. This raised questions about the stability and even the solvency of most of the world's largest financial institutions.

The first major victim was Bear Stearns, the smallest of the five major Wall Street investment banks but one invested heavily in risky MBS. The government rescue of Bear Stearns in March 2008 signaled that the U.S. government, and perhaps others, would stand behind other large financial institutions. The moral hazard this engendered was deadly when Lehman Brothers' solvency came under challenge. Spreads in the credit default swap market for Lehman, despite massive short-selling, showed very little alarm by investors until just before the fateful weekend of Sept. 13 and 14, when they blew out on fears that the firm might not be rescued.

By that time it was too late for Lehman's counterparties to take the protective action that might have cushioned the shock. As it turned out, however, none of Lehman's largest counterparties failed—so much for the idea that the financial market is "interconnected"—but all market participants now realized they had to know the true financial condition of their counterparties. The result was a freeze-up in interbank lending.

For most people, that freeze-up is the beginning of the financial crisis. But its roots go back to 1993, when Fannie and Freddie began stocking up on subprime and other risky loans while reporting them as prime.

Why Fannie and Freddie did this is still to be determined. But the leading candidate is certainly HUD's affordable housing regulations, which by 2007 required that 55% of all the loans the agencies acquired had to be made to borrowers at or below the median income, with almost half of these required to be low-income borrowers.

Another likely reason for Fannie and Freddie's mislabeling of mortgages was their desire to retain congressional support by "rolling the dice" while making believe they weren't betting. With the Federal Housing Administration, Wall Street investment banks, and Fannie and Freddie all competing for these loans, the bottom of the barrel had long before been scraped and the financial system set up for a crisis.

Mr. Wallison is a senior fellow at the American Enterprise Institute.

The India Climate-Change Calculus

By Brahma Chellaney

China has been publicly excoriated by U.S. officials and others for opposing a binding climate-change deal at this month's United Nations summit in Copenhagen. But the real loser was India.

By aligning itself with China's negotiating position, India bracketed itself with the world's largest polluting nation. This tack has been months in the works; back in October, New Delhi signed a five-year memo of understanding with Beijing and agreed, among other things, to present a united front in Copenhagen. Environment Minister Jairam Ramesh went so far as to declare there "is no difference" between the two countries' negotiating positions.

Yet there is a huge difference in actual emissions. China is the world's largest polluter, responsible for 24% of global carbon emissions. Most of these emissions are due to China's economic development path, which has relied heavily on carbon-intensive, manufacturing industries. China's per-capita carbon emissions are four times higher than India's, which boasts the lowest per-capita emissions among all-important developing countries, at 26% of the world's average.

China also doesn't share India's basic approach to curbing global warming. New Delhi wants per-capita emission levels and historic contributions to the build-up of greenhouse gases to form the objective criteria for any global carbon mitigation plan. China, as the world's factory, wants a different formula that discounts carbon intensity linked to export industries.

Nor does India have much in common with other major developing nations, either in its carbon profile or industrial-development levels. For example, in 2007 (the latest figures available) India's per-capita emissions totalled 1.2 tons; South Africa, 9.4; China, 4.8; and Brazil, 2.1, according to the U.S. Energy Information Administration.

These facts argue for India to align itself with the least developed nations, which have lower emissions profiles. Yet the government of Prime Minister Manmohan Singh entered the Copenhagen negotiations joined at the hip with China, first by agreeing to put up a united front and then by following in Beijing's footsteps to unveil a voluntary plan to slash its carbon intensity by 2020.

Aligning with China only undermines New Delhi's negotiating position and costs its people dearly.

The move forced the U.S. to strike a watered-down deal with the developing-world bloc of Brazil, India, South Africa and China—rather than deal directly with the world's largest polluter, China. The deal also committed India to "implement mitigation actions" open to "international consultations and analysis." Rather than focus on providing basic services—like electricity and safe drinking water—to the hundreds of millions of poor Indians who desperately need them, Mr. Singh also pledged to slash India's emissions intensity by 20% "regardless of the outcome" in Copenhagen.

Past experience should have taught India that whenever it has joined hands with China on environmental issues, it has been let down by Beijing's proclivity to jettison principles in the ruthless pursuit of self-interest. Take the 1989 Montreal Protocol on Substances that Deplete the Ozone Layer: China teamed up with India in the negotiations, only to reverse its stance and agree to abide by the protocol if it were compensated for the compliance costs. India was forced to follow suit.

In Copenhagen, India would have done better to delink itself from China and the other two leading developing nations and to encourage the world's largest polluters—the U.S. and China—to do a deal.

India not only aligned itself with the wrong group, but also it presented itself inadvertently as a major global polluter by making common cause with China, whose developmental path threatens to unleash a carbon tsunami on the world. After all, had the situation in Copenhagen been reversed—with India's per-capita emissions four times higher than China's, and with India in the line of international fire—would Beijing have helped provide New Delhi diplomatic cover?

Mr. Chellaney, professor of strategic studies at the Centre for Policy Research in New Delhi, is the author of "On the Frontline of Climate Change: International Security Implications" (Konrad Adenauer Foundation, 2007).

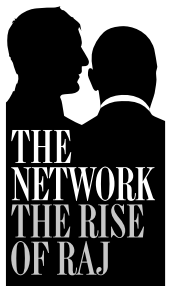
IN DEPTH

Rajaratnam snared by turncoats

Continued from first page

Khan, confronted with the text message, agreed to cooperate and record her phone calls with the hedge-fund tycoon. Those recordings begat a wiretap on Mr. Rajaratnam's phone, and, prosecutors say, a dizzying picture of multiple insider-trading rings began to form. Like falling dominoes, one investor suspected of trading on insider tips led to another, each with a network of sources. Some overlapped; others spun out into separate orbits pulling in additional players with no ties to the other rings.

"There is reason to fear that there is a culture—not only at hedge funds but at large firms in the financial sector—that thinks nothing of casually exchanging material nonpublic information," said Preet Bharara, the Manhattan U.S. attorney, who declined to talk specifically about the Galleon case.



For two and a half years, a team of federal agents and prosecutors coaxed witnesses to turn on their friends, recorded thousands of phone calls and plowed through reams of documents. Then, in October, they arrested Mr. Rajaratnam. Soon, 20 other people were also charged.

Mr. Rajaratnam, 52, has pleaded not guilty and is free on bail. "Throughout his career Mr. Rajaratnam has worked tirelessly as permitted by the securities laws to build a mosaic of public information about the companies he follows," his attorney, John Dowd, says. "Mr. Rajaratnam is innocent of the charges against him and looks forward to his day in court when a jury of his fellow citizens will examine and evaluate all of the evidence."

Insider-trading charges are notoriously difficult to prove. That's because Wall Street is awash in information, and every savvy investor tries to be the first to ferret out important tidbits. To gain a conviction, prosecutors have to persuade a jury that a person traded on information that they knew was not only confidential but was also important enough to move a company's stock price.

A Wall Street Journal examination—based on nearly 1,000 pages of court documents and dozens of interviews with lawyers, traders and others involved—shows for the first time how prosecutors built the case of a generation, one that has stilled the easy chatter in the clubby world of hedge funds and reached into the ranks of some of America's biggest corporations.

In quick succession in July 2007, regulators noticed suspicious trading in shares of Hilton Hotels Corp. and then **Google** Inc. Prosecutors in the U.S. attorney's office found a common denominator: Roomy Khan, a 51-year-old hedge-fund consultant.

Ms. Khan used an assemblage of family and friends to bond with young people who had access to sensitive information about technology firms, according to people familiar with the matter.

One was Deep Shah, a junior analyst with Moody's Investors Service Inc. Ms. Khan met him through her nephew when the two men attended Wittenberg University in Ohio. As Mr. Shah began his career, Ms. Khan advised him on real estate, tech investments and the Indian stock market.

Prosecutors believe Mr. Shah tipped his friend off to the Blackstone Group's deal to buy Hilton. The day before it was announced on July 4, the government says, Mr. Shah told Ms. Khan that Blackstone would pay $47.50 a share for the hotel chain. Ms. Khan bought Hilton shares, the government says, and arranged to pay Mr. Shah $10,000 for the tip.

Mr. Shah, 27, faces charges tied to the conspiracy, and declined to comment when reached this week.

Less than two weeks after the Hilton announcement, prosecutors say, another of Ms. Khan's proteges provided her one more lucrative heads-up.

Ms. Khan met Shammara Hussain at a technology conference in 2007, according to people familiar with the matter. Ms. Khan told her she knew a relative of hers; Ms. Hussain, who worked at a hedge fund, was impressed by how many people Ms. Khan appeared to know at the gathering. Ms. Khan soon began offering her young friend advice on how to dress and gave her a cellphone with accessories as a gift. She told Ms. Hussain that she was like a daughter to her.

In May 2007, Ms. Hussain took a job at a San Francisco investor-relations firm that did work for Google. Two months later, the government alleges, she alerted Ms. Khan that Google was going to fall short of analysts' estimates when it announced second-quarter earnings on July 19.

Ms. Hussain, 23, hasn't been charged. "I believe that Ms. Khan had an agenda in befriending Shammara, that Shammara was unaware of, given her age," says her lawyer, Julia Jayne.

Prosecutors say Ms. Khan passed on the information about Hilton and Google to Mr. Rajaratnam, who made a total of $13 million in profit off of it. To get to Mr. Rajaratnam, and the larger case beyond, the road went through Ms. Khan.

Theirs was a long and complicated relationship. Ms. Khan left her job at Intel, after a camera pointed at a fax in the company's Santa Clara, Calif., headquarters captured her sending confidential company data to Mr. Rajaratnam in 1998. She then worked for Mr. Rajaratnam for a year. In April 2001, she agreed to plead guilty to one count of wire fraud in connection with the Intel incident—and to cooperate in a probe of Mr. Rajaratnam. Ms. Khan served six months under house arrest, but prosecutors dropped the investigation, unable to prove that Mr. Rajaratnam traded on the information.

In November 2007, federal agents were able to persuade Ms. Khan to turn informant again. Ms. Khan wasn't always easy to manage: Prosecutors warned her after she destroyed an incriminating email she received and told Mr. Shah and another person about the investigation, according to people familiar with the matter. Mr. Shah later left for India.

Ms. Khan—who has since pleaded guilty to conspiracy, insider trading and obstruction of justice in connection the Polycom, Hilton and Google trades—agreed to record phone calls between her and Mr. Rajaratnam. Before Ms. Khan dialed him on Jan. 14, 2008, FBI agent B.J. Kang walked her through how she should quiz her old friend.

"What's going on with earnings this season? Are you getting anything on Intel?" she asked, according to a person familiar with the situation. Mr. Rajaratnam answered that Intel's revenue would be up 9% to 10% and that profit margins would be "good," according to the person.

Mr. Rajaratnam was right: The next day, Intel reported revenue up 10.5% for the period and profit margins above the company's earlier prediction.

That was enough for prosecutors. Using evidence from the Intel call and other recordings Ms. Khan made, they asked a Manhattan federal judge in March for permission to eavesdrop on Mr. Rajaratnam's phone calls.

Soon after the judge approved the tap, a bonanza of new leads was flooding into the FBI's "wire room" in a federal high-rise not far from Wall Street.

In the first weeks, they heard Rajiv Goel, 51, a managing director from Intel's treasury group, tell Mr. Rajaratnam that a long-rumored joint wireless Internet venture between **Clearwire** Corp. and **Sprint Nextel** Corp. would soon be announced. A lawyer for Mr. Goel, who is charged with conspiracy and insider trading, declined to comment. Mr. Goel is free on bail.

By July 2008, agents were onto the richest vein they would mine: Danielle Chiesi, a consultant to New Castle Partners, a hedge fund.

A former beauty queen (Miss Southern Tier Teenager of 1981) who grew up in Binghamton, N.Y., Ms. Chiesi was known for her impeccable contacts in the technology industry. At conferences, she could often be seen, decked out in low-cut tops and short skirts, chatting up executives in the hotel bar.

Her opinion was enough to swing investors' view on a stock. A score of hedge-fund managers kept in regular touch with her, and a long list of others wanted to be in that group.

In a wiretapped conversation on Aug. 19, prosecutors say, Ms. Chiesi and Mr. Rajaratnam were discussing whether semiconductor maker **Advanced Micro Devices** Inc. was about to spin off its manufacturing business. Ms. Chiesi had worked sources in AMD and **International Business Machines** Corp. to pin it down, and she was worried that she could be found out.

"If it leaks, I think I'm out of business," the government quotes her as telling Mr. Rajaratnam. "....Because...who knows IBM? And who, who's in bed with AMD? Put Danielle's name on the f— ticket." (A buy or sell order is referred to as a ticket by traders.)

Ms. Chiesi, 44, has pleaded not guilty to conspiracy and insider trading, and is free on bail. Her lawyer, Alan Kaufman, says, "We're planning on fighting this vigorously."

Starting in August 2008, the FBI wasn't just listening to her on the wiretap of Mr. Rajaratnam; they'd gathered enough evidence for Ms. Chiesi to have a tap of her own. In short order, Mr. Kang and another FBI agent, Diane Wehner, were in the wire room assembling a fat list of Ms. Chiesi's contacts from listening to her often-salty calls with a network of traders.

One of them was Steven Fortuna, a hedge-fund trader from Boston with a thick New England accent and a fondness for Bill Cosby-style sweaters.

On July 25, Ms. Chiesi called Mr. Fortuna and told him that Internet services provider **Akamai Technologies** Inc.'s upcoming results would be worse than expected, according to documents and people familiar with the matter. Based on her tip, Mr. Fortuna made a bet against Akamai's shares rising, generating a profit of $2.4 million.

Agents, always hungry for evidence to complement wiretaps, confronted Mr. Fortuna in hopes of getting him to turn on Ms. Chiesi. After consulting with his attorney, Mr. Fortuna, known to some in the financial world as "Tuna," agreed to record his calls with Ms. Chiesi.

Ms. Wehner, the FBI agent, coached him on how to steer the conversation. Mr. Fortuna was nervous, but, with Ms. Wehner seated beside him in his office, he made the call.

Ms. Chiesi told him she had gotten important information from an IBM manager about its upcoming quarter, prosecutors say. Mr. Fortuna posed a pointed question: "You flat-out asked him?"

"Yeah," answered Ms. Chiesi. It was a response the FBI had hoped for, bolstering their belief that Ms. Chiesi had gotten nonpublic information directly from the IBM insider. Prosecutors say New Castle, Chiesi's employer, made $500,000 trading on the information.

Prosecutors say she also shared IBM information in January 2009 with Richard C.B. Lee, a hedge-fund manager whose contacts in the technology industry were considered even more extensive than Ms. Chiesi's.

Mr. Lee, a 53-year-old Malaysian, met Mr. Rajaratnam in the mid-1990s, working with him as a research analyst at Needham & Co. before moving to SAC Capital Advisors. A Phi Beta Kappa with degrees in computer science and business, as well as advanced studies in chip design, Mr. Lee and a partner formed their own hedge fund, Spherix Capital, in 2008.

As an investor, Mr. Lee crisscrossed the globe, often visiting Asian contacts. In the U.S., he led a modest life, owning a small house, driving a 1986 Honda Accord and, until recently, living with his mother. At one point, Mr. Lee had a sign in his office that

The accused

Raj Rajaratnam, 52
A hedge-fund tycoon who is at the center of the government's sweeping insider-trading investigation. Mr. Rajaratnam was known for mining information from contacts in the technology industry.

Danielle Chiesi, 44
A hedge-fund consultant who prosecutors say was among those swapping information with Mr. Rajaratnam and whose salty calls led authorities to a broader circle of tech executives and fund managers.

Roomy Khan, 51
A hedge-fund consultant who authorities allege was exchanging inside information with Mr. Rajaratnam as far back as the 1990s. She is cooperating with the investigation, including recording phone calls with Mr. Rajaratnam that helped lead to a wiretap of the billionaire.

Steven Fortuna, 47
A hedge-fund manager, known as 'Tuna,' who was among Ms. Chiesi's contacts and who agreed to cooperate with the government's investigation. He teared up three times when he appeared before a judge in October to plead guilty to insider trading.

Richard C.B. Lee, 53
A hedge-fund manager who was known for his technology contacts. He agreed to cooperate with the government after FBI agents listening on a wiretap heard him exchanging information with Ms. Chiesi.

The prosecution

Preet Bharara, 41
U.S. Attorney in Manhattan, who has refocused his office on white-collar investigations, including insider trading. He vowed that his team is 'far from finished' in pursuing similar cases.

Andrew Michaelson, 34
A Securities and Exchange Commission lawyer who was transferred to the U.S. Attorney's office to help with the insider-trading case. He helped uncover breakthrough evidence that persuaded Ms. Khan to cooperate with the government's investigation of Mr. Rajaratnam.

Joshua Klein, 41
An assistant U.S. Attorney who helped build the criminal case against Mr. Rajaratnam. He helped persuade three hedge fund managers to cooperate with the probe.

Jonathan Streeter, 41
An assistant U.S. Attorney who helped craft the case against Mr. Rajaratnam and others. He helped keep Ms. Khan, who was sometimes difficult to manage, in line.

B.J. Kang
An FBI agent who pursued witnesses, listened to wiretaps and was present at Mr. Rajaratnam's arrest.

Diane Wehner, 31
An FBI agent who worked with witnesses in the case against Ms. Chiesi, listened to wiretaps and was present at her arrest.

IN DEPTH

(Clockwise from left) Bloomberg News; Reuters; Bloomberg News; Reuters

A gallery of defendants, clockwise from left: Billionaire Raj Rajaratnam, with his attorney John Dowd; Roomy Khan, who is cooperating with the government; Intel executive Rajiv Goel; and fund consultant Danielle Chiesi.

said, "Pigs get slaughtered."

In April, the FBI's Mr. Kang knocked on Mr. Lee's door in San Jose, Calif., a person familiar with the matter says, but Mr. Lee refused to answer questions.

His lawyer, Jeffrey Bornstein, flew to New York to meet with Assistant U.S. Attorney Josh Klein and Mr. Kang.

People familiar with the exchange say Mr. Bornstein got right to the point: What evidence did the feds have on his client? The investigators played for him a sampling of the most incriminating calls involving Mr. Lee.

Initially, Mr. Bornstein was unimpressed, but with each call he became more concerned.

Within weeks, Mr. Lee and Ali Far, his partner in the fund and a former employee of Mr. Rajaratnam at Galleon, had agreed to cooperate with the government. The two abruptly shut down their hedge fund, which had already shown gains of 10% for the year. The move raised eyebrows on Wall Street; no one quits when they're making money.

News that the fund had shut down set off alarms inside Galleon. Rumors began to circulate that Messrs. Lee and Far were cooperating with the government in an insider-trading probe. Mr. Far told people he knew at Galleon that the fund was closing because he had a "health issue."

Mr. Lee added to suspicions by calling Ms. Chiesi and others, and behaving a bit too friendly.

Meanwhile, Mr. Lee—at the instruction of the government—tried to get a job again at SAC, the large hedge fund run by Steven A. Cohen. Mr. Cohen, who hasn't been accused of any wrongdoing, was suspicious about why Mr. Lee had shut his fund and rejected his overture.

In the weeks that followed, Mr. Lee—who has since pleaded guilty to conspiracy and insider trading—told a friend that he had dropped 20 pounds and was keeping busy by learning kung fu and Mandarin.

By September, prosecutors grew concerned that details of the investigation were leaking to Mr. Rajaratnam. Listening to a call Mr. Fortuna recorded with Ms. Chiesi, an FBI agent grew anxious when he heard her say Mr. Rajaratnam believed a former Galleon employee was "wearing a wire," according to people familiar with the matter.

The FBI decided to pull the plug on the investigation on Oct. 15, when a customs agent alerted them that Mr. Rajaratnam had purchased a plane ticket to London for the next day.

In the quiet darkness before dawn, police blocked off a stretch of tony Sutton Place hard by the East River in Manhattan. Police cruisers and unmarked sedans lined the street in front of the building where Mr. Rajaratnam and his family lived in a duplex. At 6 a.m., agents in blue FBI windbreakers knocked on the door and announced they had a warrant for his arrest. After a quick search, they took him into custody and led him from the building to one of the waiting cars.

That morning, the trading day began early like any other at Galleon's Madison Avenue offices. Then, an investor who lived in Mr. Rajaratnam's building called to say he had seen the FBI arrest Mr. Rajaratnam. Galleon employees began texting each other with the news. One trader burst into sobs.

By noon, they gathered to silently watch the 50-inch flat-screen TV above the T-shaped trading desk. Mr. Rajaratnam—in jeans, a blue blazer over a green sweater and an open-neck shirt—was being led to court by Mr. Kang and other FBI agents.

Soon, images of Ms. Chiesi in handcuffs, led by Ms. Wehner, the FBI agent, appeared. Without makeup, her wet hair combed straight back and dressed in a loose cable-knit sweater, she was virtually unrecognizable from the stylish woman some of them had seen at a party at Mr. Rajaratnam's house two years before.

Four days later, Mr. Fortuna had his day of reckoning. As prosecutors Jonathan Streeter and Mr. Michaelson looked on, the 47-year old trader stood in a courtroom in New York, fighting back tears as he admitted to securities fraud. Three times Mr. Fortuna was forced to stop and collect himself, his voice breaking, as he sought to describe his role in the case. He was "contrite and remorseful," his attorney, Richard Schaeffer, says.

Within weeks, Galleon, which once boasted assets of $7 billion, sold off its holdings. No investors lost money. The whirlwind spurred gallows humor; employees joked about how much their water bottles with the Galleon logo would fetch on eBay.

By the time Mr. Rajaratnam and Ms. Chiesi came to a federal courthouse in Manhattan to plead not guilty last week, they looked more like their old selves than on the morning of their arrests: He was in a dark suit with a bright blue tie; Ms. Chiesi's hair was coifed, and she was turned out in a chic black suit and brown wrap with high-heeled boots and simple strand of pearls.

Even as prosecutors prepare for the always difficult task of proving allegations of insider trading, Mr. Bharara, the Manhattan U.S. attorney, had a warning for Wall Street: "We are far from finished."

— Shefali Anand contributed to this article.

FROM PAGE ONE

U.S. finds harm from Chinese steel imports

Continued from first page
the more than $3 billion in operating profits made during the boom, roughly from 2006 to late 2008.

Chinese imports of oil country tubular goods increased by 203% to 2.2 million tons last year from 2006. U.S. pipe shipments hit $2,450 per ton in March 2009, while Chinese products were selling at $1,530 per ton for the same period, the Commerce Department said.

Pittsburgh-based **U.S. Steel** Corp., and seven other producers, along with the United Steelworkers, filed a trade complaint in April against Chinese producers and exporters, claiming China's government was subsidizing pipe-production costs.

But Chinese steelmakers have maintained that the U.S. industry is trying to stymie legitimate competition and, more importantly, wasn't actually hurt by the imports. They counter that the U.S. steel industry was making record profits, especially in 2008, when selling pipe and tube to energy and exploration countries. From 2006-2008, U.S. steelmakers reported that they made about $3.9 billion in operating profits. From 1996-2005, the decade before the disputed years, the industry reported a total of $1.9 billion in operating profit.

Indeed, 2006 through 2008 were very profitable years for U.S. steelmakers. Energy prices were very high and companies were gobbling up steel pipes and tubes for their exploration rigs. U.S. steelmakers, during that time, were increasing prices and some buyers were complaining that they couldn't get the steel that they wanted fast enough.

It was about that time that the Chinese steelmakers started to increase their imports of pipe and tubes. In 2006, Chinese steelmakers imported 725,000 tons in 2006 but by 2008, they had increased imports to 2.2 million annually.

Chinese steelmakers said that they were responding to demand. They also testified that during that time period, prices for those products had more than doubled, showing that no one was injured by their coming into the market.

But U.S. steelmakers said China was pumping in so many imports that the prices eventually fell by half, due to undercutting, and caused inventories to swell. Chinese steelmakers counter that the slowdown in the world's economy at the end of 2008 and the beginning of 2009 caused prices and inventories to swell. They also argued that U.S. steelmakers made so much profit that any losses in 2009 were more than offset by earlier profits.

China also expressed strong opposition Wednesday to the U.S. decision a day earlier to impose preliminary antidumping duties on imports of steel-grating products from China, saying the move sends "a wrong, protectionist signal," the state-controlled Xinhua news agency reported.

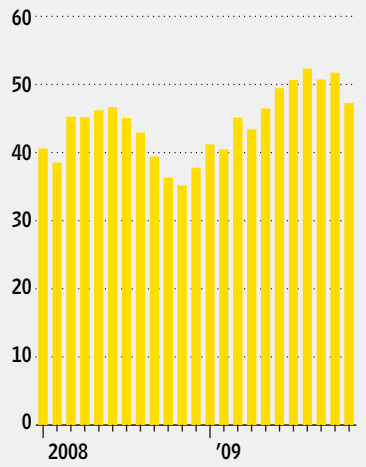
The U.S. Commerce Department said Tuesday it had determined that Chinese companies have sold steel gratings in the U.S. at less than fair value and assigned preliminary import duties ranging from 14% to 145%.

The value of Chinese steel-grating products imported to the U.S. totaled $90.7 million in 2008, sharply higher than $8.8 million two years earlier, prompting two U.S. companies—**Alabama Metal Industries** Corp. and **Fisher & Ludlow**—to file for relief from the government in May.

The Commerce Department assigned a preliminary dumping rate of 14.36% to **Ningbo Jiulong Machinery Manufacturing** Co. and **Sinosteel Yantai Steel Grating** Co. All other Chinese producers and exporters received a 145.18% rate.

The Commerce Department is scheduled to make a final determination on the steel-grating duties in April. If that determination is affirmative, the ITC will issue a ruling in June.

—Aaron Back contributed to this article.



Sources: World Steel Association; Associated Press (photo)

A man works at a steel product market Dec. 15 in Shenyang in northeast China.

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Bond investors lay their bets on deep trouble for Japan

Continued from first page
riorating government finances amid the financial crisis.

But a severe selloff in Japan's bonds would be much more worrisome than woes in some other countries, because of the size of Japan's bond market—694.3 trillion yen, or about $7.5 trillion—and the important role Japan plays in the global economy.

"In Japan, the mist has subsided and you see this huge mountain of debt," says Tom Byrne, an Asian sovereign-credit analyst for Moody's Investors Service. That has raised concerns among some that "this could blow," he said.

A spokesman for Japan's Ministry of Finance declined to comment.

Not everyone is worried. For starters, the wager against the country's debt has a long and unprofitable history that has seen countless investors saddled with losses.

Despite a growing debt burden and longstanding predictions that demand for government bonds would flag, people have continued to buy, particularly domestic investors that hold almost all of the nation's debt, such as Japanese banks, pension funds and insurance companies.

That has kept yields, which move in the opposite direction of price, stubbornly low.

The yield on Japan's 10-year government bond hasn't gone above 2% in more than a decade. The heavy presence of domestic, rather than foreign, investors also reduces the possibility of a mass exit from the market.

What's more, Japan has been plagued by bouts of deflation since the late 1990s. In November, consumer prices fell for the ninth month in a row.

If that persists, bonds may continue to have allure.

Even some who believe yields will rise don't expect the big spike envisioned by pessimists.

"I just don't think it's the blowout trade some funds think it is," says George Papamarkakis of North Asset Management, a London hedge fund.

But bears maintain there are fresh reasons to bet against Japan.

Government debt as a percentage of gross domestic product is expected to hit 219% in 2009, up from 120% in 1998, according to the International Monetary Fund. By comparison, debt will total 85% of the U.S.'s GDP and 69% of the United Kingdom's, the IMF says.

Even net government debt, which subtracts government assets, is high in Japan; the IMF puts it at 105% of GDP in 2009, compared with 58% for the U.S.

Some predict that as Japan ages, more people retire and savings rates dip, key purchasers will start pulling back on their buying or even turn into sellers. Japan's public pension fund, the world's largest, has said it could become a net seller of holdings in 2010. About three-quarters of the fund's holdings have been in Japanese bonds.

"The biggest buyer is now a seller, that's the biggest difference today," says Mr. Bass of Hayman Capital. To attract buyers, particularly from overseas, yields will have to rise dramatically, the bears assert, making it painful for Japan to service its debt.

> The wager against the country's debt has a long and unprofitable history.

The election of new government leadership in August also has ramped up anxieties of investors, who fear the less-experienced officials will spend too freely in an effort to put money in the hands of ordinary Japanese. On Wednesday, the government unveiled a plan to try to spur the economy and cut employment.

Japan's government recently stopped short of setting a firm limit on new debt sales in the next fiscal year, raising questions about its commitment to fiscal discipline.

Some investors burned in the past now find the trade hard to ignore. Back in 1995, David Roche, head of investment consultancy Independent Strategy, predicted that Japanese yields would rocket higher. He went so far as to call the country's debt "junk bonds in drag."

That turned out to be "dead wrong," he acknowledged earlier this year, because Japanese investors kept on depositing their hefty savings in banks. The banks funneled the savings, together with cheap money from the central bank, back into government bonds, keeping their prices buoyant and yields low.

But that arithmetic can't be repeated now, Mr. Roche has said. Although Japan's stock of savings remains large, the savings rate has dropped below 3%, from more than 10% in the 1990s.

Traders are betting against Japan's debt in myriad ways. Some bearish traders are entering into option contracts betting on "forward rates," or the direction of Japanese yields. These options are among the most heavily traded of the commonly used bearish tools, so some beginners to the game are embracing them. The downside is investors can find themselves exposed to big losses if yields fall further.

Others buy credit-default swaps, derivative contracts that serve as insurance to protect against a default of Japan's debt. The cost to insure $10 million of Japanese bonds today is about $70,000 a year, for five years. That price has climbed from less than $50,000 since October.

Still others are buying more exotic "CMS caps" or "swaptions." These interest-rate options reward a buyer if Japanese rates climb over the next few years, but limit downside because there is only a one-time upfront payment.

Mr. Bass has purchased protection on about $12 billion of Japanese bonds, according to a person close to his firm, a move that is costing him about $6 million—a skimpy price because most investors still doubt the trade will succeed. If 10-year yields, currently at 1.3%, rise to 3% or so, Mr. Bass won't make that much; but if they hit 4% he would make about $125 million on his $6 million investment. He will make at least $125 million for each subsequent percentage-point rise, according to people close to the firm.

Even those with deep convictions that trouble is brewing are hedging themselves. Mr. Bass has placed only a small portion of his $650 million fund in bearish Japanese bond investments.

Still, such bets are on the rise. Traders say they can see increased interest in derivatives that would pay handsomely in extreme outcomes, such as if interest rates on Japanese government bonds multiplied several times, or if the yen lost a quarter or more of its value.

—Alison Tudor contributed to this article.

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BUSINESS & FINANCE.

Thursday - Sunday, Dec. 31, 2009 - Jan. 3, 2010 THE WALL STREET JOURNAL. asia.WSJ.com

JAL may get loans; shares fall

By Yoshio Takahashi and Juro Osawa

TOKYO—The Japanese government may extend more state-backed funding to help struggling **Japan Airlines** Corp., which lost almost a quarter of its market value Wednesday following reports that its restructuring options could include a filing for bankruptcy protection.

Japan Transport Minister Seiji Maehara on Wednesday said the government is discussing having the state-backed Development Bank of Japan lend more to the carrier, known as JAL.

"We believe JAL's revival is feasible," he said after meeting other top government officials involved in the JAL issue, including Deputy Prime Minister Naoto Kan. Mr. Maehara added that the government will take all possible measures to help JAL's restructuring. He didn't elaborate on the DBJ loans.

Japan Airlines
Daily share price, Wednesday's close: ¥67, down 24%
Year-to-date performance: down 68%

Sources: Thomson Reuters Datastream; Reuters (photo)

The Japanese carrier is studying court-led bankruptcy protection, among other options, a person familiar with the matter said Tuesday, even as it continues to explore an out-of-court restructuring. The bankruptcy-protection talk comes as the airline seeks givebacks from retirees.

JAL shares tumbled 24% to 67 yen (about 73 U.S. cents) in the last trading session of the year, on what market players said was massive speculative selling, after briefly sinking to an all-time low of 60 yen during morning trading. The Tokyo stock market resumes trading on Jan. 4.

"Whether the rehabilitation will be court-led or out-of-court is the biggest question, as that would likely determine whether existing shareholders' rights will be protected," said SMBC Friend Research Center analyst Mitsuru Miyazaki.

JAL last month obtained a credit line of as much as 100 billion yen ($1.1 billion) from the Development Bank as part of the 125 billion yen it says it needs for the rest of the fiscal year ending March 31.

Increasing state-backed funding for JAL's bailout may be a way for the government to get the airline's private-sector lenders to agree to its plan for JAL. The banks are believed to be unhappy about the possibility of the airline filing for bankruptcy protection because that could force them to write off more of their

Please turn to page 18

Kumho is to sell stake in Daewoo unit to KDB

By Kyong-Ae Choi and Jin-Young Yook

SEOUL—Cash-strapped South Korean conglomerate **Kumho Asiana Group** will sell a controlling stake in its Daewoo Engineering & Construction Co. unit to a private-equity fund led by **Korea Development Bank** for $2.5 billion as part of a broad restructuring program to help ease its financial woes.

The conglomerate, which has interests ranging from construction to its ownership of Asiana Airlines Inc., also agreed to sell its Kumho Rent-A-Car Co. unit for 300 billion South Korean won (about $257 million) to a consortium made up of telecom firm KT Corp. and private-equity firm MBK Partners. It will also sell Kumho Life Insurance to another KDB private-equity fund.

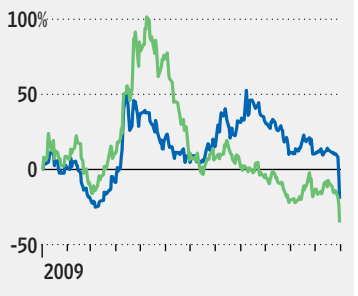
Kumho Asiana is seeking to pay down the 15.7 trillion won it owes the financial institutions—including state-run KDB, its lead creditor—that had helped it buy Daewoo Engineering in the first place. Kumho Asiana is the country's eighth-largest conglomerate by assets.

"In close consultations with creditors, the group will set up a new rigorous restructuring plan to put the business back on track as soon as possible," Kumho Asiana Group President Oh Nam-soo said Wednesday.

Kumho Asiana said that a KDB-led equity fund will buy a 50% stake, plus one share, in Daewoo Engineering for 18,000 won a share.

The price for the stake in Daewoo Engineering represents a 41% premium to its Wednesday closing price of 12,800 won.

Tumbling
Share performance:
Kumho Tire
One-day: **down 15%**, YTD: **down 20%**
Kumho Industrial
One-day: **down 15%**, YTD: **down 35%**



Source: Thomson Reuters Datastream

The sale of Daewoo Engineering will help the Korean conglomerate reduce the debt it took on three years ago to buy the construction company.

A Kumho Asiana-led consortium bought a 72% stake in Daewoo Engineering for 6.426 trillion won in December 2006, with more than half of the money coming from various private-equity funds and financial institutions. If they exercised a put option, those investors could force Kumho to buy back 4.2 trillion won worth of Daewoo Engineering shares this month.

The deadline for Kumho to buy back these shares was extended two weeks ago, to Jan. 15, giving Kumho time to sell some assets and also restructure assets.

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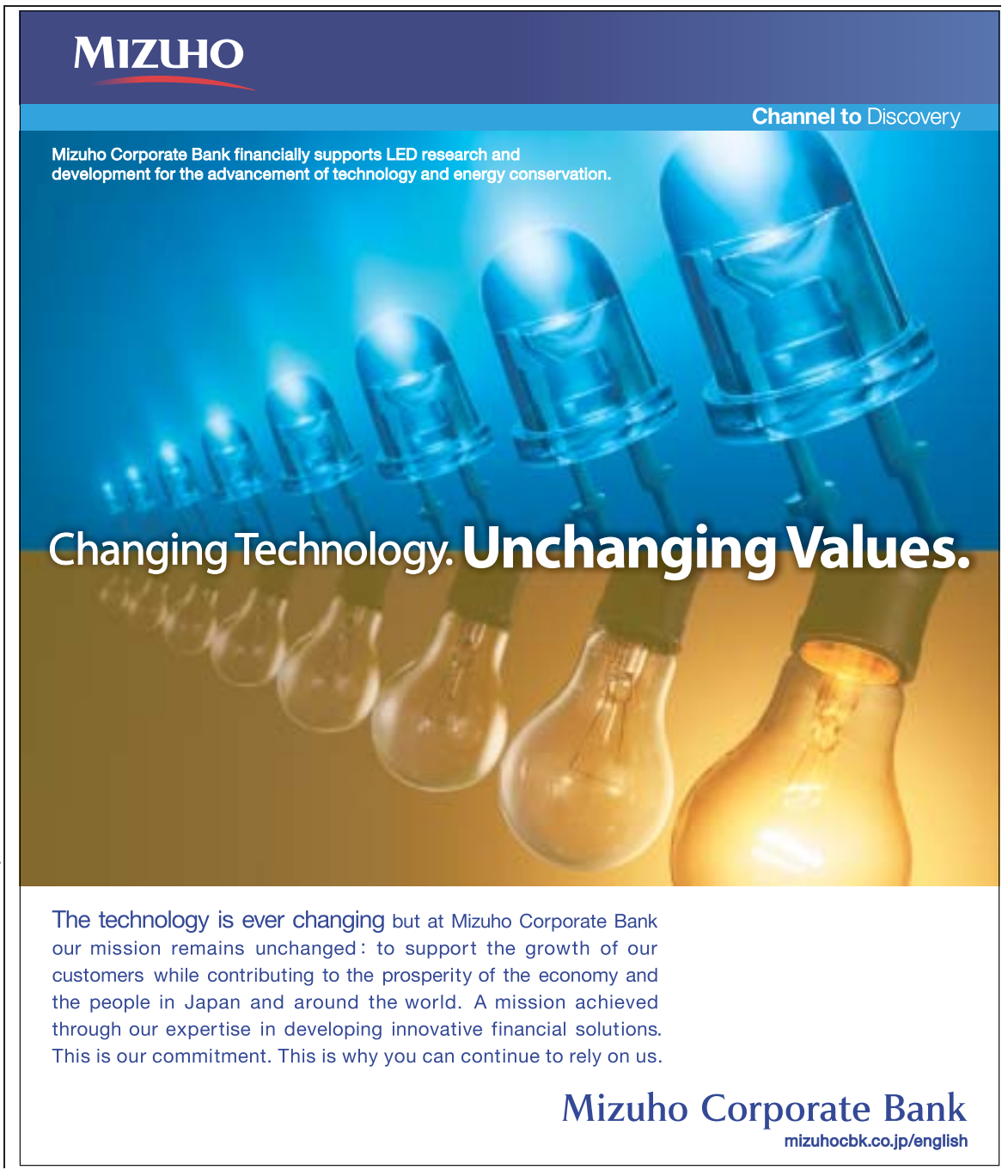
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Mizuho Corporate Bank
mizuhocbk.co.jp/english

After Caijing, a new post

By Ian Johnson

BEIJING—Hu Shuli, one of China's best-known editors, is taking charge of a small journal after disputes over money and editorial policy caused her and most of her staff to leave her previous magazine.

Ms. Hu, the 56-year-old journalist who turned Caijing into China's most aggressive publication, will take the helm of New Century News, which is run out of an economics institute in the remote island province of Hainan, according to a statement from the organization that owns the magazine.

Turning New Century News into another Caijing is likely to be a challenge. The revamped magazine will be launched quickly—a trial version is due out Jan. 4 with regular newsstand sales scheduled to start one week after—but the publication currently is an unprofitable academic journal. Although Ms. Hu brought about 70 of her staff with her, it is also unclear if the magazine's owner, the China Institute for Reform and Development in Hainan, will have the clout to protect Ms. Hu should New Century News tackle controversial issues.

That has been Ms. Hu's trademark over the past 20 years. She was known as a muckraking journalist at Worker's Daily, a newspaper run by the Communist Party that for a while tackled sensitive issues. In 1998, she and Wang Boming, a reform-minded scion of a powerful family, launched Caijing, bringing it to international prominence with articles about corruption and a government coverup of the SARS pandemic in 2003.

Associated Press

Hu Shuli is to lead New Century News, a small magazine.

The two split this past October after Ms. Hu said Mr. Wang failed to give her magazine the political protection it needed to aggressively report the news. She also said Caijing had been a cash cow for Mr. Wang's **SEEC Media Group** and was starved of funds.

Mr. Wang denied the charges, saying he had given the magazine the cover it needed to make its scoops. He has continued to publish Caijing with a new staff.

The new publication might be obscure but it gives Ms. Hu something she badly needs to restart her publishing career: a "kanhao," or publication number, which is essentially a government license to run a publication. The number of kanhaos is strictly limited by authorities.

Ms. Hu wasn't available for comment but, according to staff members, she told staffers Wednesday that she has enough funding to turn New Century News into an aggressive, national magazine. Her staff has been paid regularly over the past two months and has been working in rented offices in Beijing's Central Business District.

—Sue Feng and Liu Li contributed to this article.

Swiss biotech firm, J&J suffer antibiotic setback

By Julia Mengewein

ZURICH—The U.S. health regulator's rejection Wednesday of a superbug drug being developed by **Basilea Pharmaceutica** AG of Switzerland and U.S.-based **Johnson & Johnson** isn't just a setback for the Swiss biotech company. It is also the latest development in a dispute between the companies over J&J's handling of late-stage clinical trials that were intended to lead to market approval for the product.

Basilea and J&J said they are reviewing their options for the broad-spectrum antibiotic after the U.S. Food and Drug Administration said it couldn't approve the drug in its current form because corners were cut in evaluating its effectiveness.

The news sliced Basilea's market value by nearly a fifth as the drug, which analysts had expected to reap up to $300 million in sales in its best years, now is unlikely to reach the market for a few years.

Basel-based Basilea aims to continue the development of ceftobiprole, Chief Executive Anthony Man said in a conference call. Basilea is funded into 2011, he added.

In a separate statement, J&J said it planned to discuss "the best path forward" with the FDA as soon as possible.

The FDA determined data from two studies "to be unreliable or unverifiable, raising concerns regarding the overall data integrity for both studies," and recommended that two new studies should be conducted, Basilea said in a statement.

Earlier this year, the FDA asked for more information about some of the sites at which J&J was conducting clinical trials for ceftobiprole.

In February, Basilea submitted an arbitration request, claiming J&J breached their license pact by failing to secure approval of the drug's use for skin infections. Wednesday's regulatory delay will add to the initial claims, Basilea said.

Under the licensing deal, struck in 2005, J&J gained exclusive worldwide rights to ceftobiprole, while Basilea was eligible for upfront and milestone payments of as much as 370 million Swiss francs ($355.6 million). Basilea was also granted double-digit percentage royalties on world-wide sales.

Analysts said the latest development translates into a major delay for ceftobiprole's launch in the U.S. market. "Depending on the outcome of the discussions with the FDA, we reckon the delay could be three years," Bank Vontobel analyst Silvia Schanz said.

Ceftobiprole, already marketed in Canada and Switzerland, was developed to treat so-called superbugs like methicillin-resistant Staphylococcus aureus, or MRSA, that are increasingly causing complicated skin problems and infections.

South Korea drops investigation of chip prices

By Jung-Ah Lee

SEOUL—South Korea's Fair Trade Commission didn't find evidence of price fixing by manufacturers of NAND flash-memory chips and is ending its nearly three-year investigation.

The antitrust regulator said in a statement Wednesday that all investigations related to price fixing in the computer-memory-chip market—including dynamic random access memory, static random access memory and NAND flash memory—have been completed.

NAND flash-memory chips are used to store data in music players and digital cameras. The largest makers of flash-memory chips are Samsung Electronics Co.; Toshiba Corp., of Japan; and Hynix Semiconductor Inc. Samsung Electronics and Hynix are based in South Korea.

The memory-chip industry, which is prone to volatile pricing, has been the subject of a number of antitrust probes in different countries in recent years. The South Korean FTC investigated four companies: two in South Korea and one each in Japan and the U.S. It didn't identify the companies.

JAL may get more funds; shares fall

Continued from page 17

loans to the airline.

JAL's major creditors, including the DBJ and **Mizuho Financial Group** Inc.'s wholesale banking unit, Mizuho Corporate Bank, have declined to comment on whether they are studying bankruptcy protection for the airline's restructuring program.

The prospect of a court-led turnaround procedure is likely to add pressure on the company's retirees to accept a proposed cut in their pension allowances because a legal liquidation would force them to accept reduced benefits, anyway. The retirees are in the process of voting on whether to accept the proposal.

Buffeted by a business- and leisure-travel slowdown triggered by the global economic downturn, JAL reported its fourth straight quarter of net losses in the July-September period.

It also scrapped its earlier earnings forecast for the current fiscal year through March, saying it couldn't gauge its future course as it compiles a revival plan.

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Corrections & Amplifications

A photo of a Pontiac Firebird Trans Am that accompanied a Dec. 21 Business & Finance article about Saab showed a 1977 model of the car. The caption incorrectly gave the model year as 1976.

Tending to India's corporate integrity

Outgoing CEO of lender HDFC discusses his part in salvaging Satyam and tactics to guard against corruption

By Geeta Anand

When an estimated $2.5 billion fraud at India's **Satyam Computer Services** Ltd. rocked the country's corporate credibility last year, the government brought in an outsider, Deepak Parekh, to clean up the mess.

Mr. Parekh leads **HDFC Group**, a financial conglomerate his uncle founded in 1977 as India's first home mortgage company. Mr. Parekh, a U.K.-educated accountant, joined his uncle's business after its first year.

BOSS TALK

He became CEO in 1993, launching India's first private bank and expanding into life insurance, asset management and real estate to build an empire with assets of $92 billion.

Mr. Parekh's rise has paralleled, and helped fuel, the growth of India's middle class over the past two decades. Before HDFC started, Indians bought homes with savings or borrowed from relatives; HDFC loans allowed millions of salaried middle-class Indians to buy homes for the first time. Mr. Parekh, 65 years old, has amassed a reputation as one of India's leading thinkers on management and corporate governance.

Temporarily installed at Satyam, Mr. Parekh and a cadre of other government-appointed directors retained most of the outsourcing firm's employees and customers in the wake of the scandal, which blew open a year ago when the now-former chairman admitted he had inflated the cash balance with a fictitious $1 billion.

Mr. Parekh and the newly appointed leadership engineered a rescue with the help of **Tech Mahindra** Ltd., which bought a controlling stake in Satyam.

Earlier this month, HDFC said Mr. Parekh will step down as CEO at year-end, becoming non-executive chairman. In an interview, Mr. Parekh discussed salvaging Satyam, strategies to guard against corruption and the business outlook for India.

Excerpts:

WSJ: After the government appointed you to Satyam's board, what did you do?
Mr. Parekh: We had to do firefighting in a number of areas.

One, we needed to give support, assurance [and] encouragement to the management, because an IT company is only as good as its people. We had to talk to them, support them, encourage them and ensure they [were] paid salaries.

The clients of Satyam were top Fortune 100 companies. We had to comfort them, [give] assurance that their work will not suffer. In six weeks, we practically called all the clients.

We had to see that the clients didn't disappear, we had to see that the people were there to do the job, we had to ensure that the salaries were paid on time so that they didn't go.

WSJ: Has the Indian government done enough to make sure another Satyam doesn't happen?
Mr. Parekh: Satyam was a one-off incident. I don't think we should generalize that there are hundreds of Satyams about to happen.

> 'I don't think we should generalize that there are hundreds of Satyams about to happen.'

And I think at that stage when Satyam happened, the government acted in a very efficient and fast manner.

[It] realized that India's reputation was at stake—India's reputation as the IT capital of the world, as the software capital of the world.

For the first time in the history of the government, [it] superseded the board and appointed three directors and asked us to just go there the next day.

WSJ: Both you and HDFC have a reputation for being conservative. What have you done at HDFC to guard against corruption?
Mr. Parekh: We may have 250 branches today that do home loans, [but] the authority [to approve] loans is with a few mother offices.

We have a hub and spoke so everyone doesn't have [approval] authority. It is done at larger offices [by] senior, trusted, longer-term authorities.

We have regional audits—there's north, south, east, west—by outside firms, and we have our own internal audit guys who look at these reports. So we continuously monitor. Normally frauds happen when there is collusion.

Now, in our case, we deal with builders... Every builder has to do some things which I would not do.

But it's part of the game. I keep telling our people that if builders don't build homes we have no rationale to be alive. [We] have to be close to builders, yet have an arms-length relationship.

WSJ: As a manager, you're very hands-on with customer service. What do you do?
Mr. Parekh: I get a number of letters. People write when they have a complaint. I look at the complaints personally. I have to reply to all complaints. And I get a detailed note [from employees] on what went wrong, why it went wrong and what lessons can be learned.

Complaints are one way of knowing what kind of customer service your organization is able to give.

WSJ: Indian companies compete globally in tech and increasingly in other sectors, such as Tata in autos. But its banks aren't in the big leagues. Why not?
Mr. Parekh: Consolidation is a prerequisite before Indian banks can aspire to be global banks.

What India needs is a small number of large banks rather than large number of small banks. They need to have a larger scale [and] stronger balance sheets. When we are one of the fastest growing nations and we want to become a big economic superpower in the next 20 years, we need to upgrade our banking scale.

WSJ: What's your outlook for the Indian economy?
Mr. Parekh: The Indian economy has not been greatly impacted by the world recession. Domestic consumption is huge, which is what keeps us going. We had some impact from the global slowdown and financial crisis, but the overall impact on India's GDP growth has been negligible. So I am very optimistic.

WSJ: If you could fix one thing about India, what would it be?
Mr. Parekh: Infrastructure. You cannot grow at 8% or 9 % if you do not have enough power. We need to invest more money in the power sector, in the energy sector. We are a terribly oil-short economy; we do not have enough crude oil. Today almost 75% of our needs are imported. We need to look at alternate forms of energy, whether gas or solar or wind.

We [also] need to do something on health-care and education. They are the pillars where the government has to invest.

Dhiraj Singh for The Wall Street Journal

Deepak Parekh, who this week steps down as CEO of HDFC, says he replies to all customer complaints.

A look at HDFC

HDFC

HDFC Ltd. corporate headquarters in Mumbai

Sept. 2009
$92 BILLION

March 2009
$79 BILLION

HDFC group companies assets

Deepak S. Parekh

- Age: 65
- Plays puzzle game Sudoku—five star level—every night before bed
- Doesn't use a computer—gets all correspondence by phone or fax

Snapshot of the chairman and CEO

THE MART

BOATING

161' Trinity Motoryacht
2006/2007
Stunning interior
MAKE OFFER
1 954 646-3090

BUSINESS OPPORTUNITIES

Strategic Partner Wanted
With current Intl. distribut., sales & mnfct. - by cutting edge, early stage Cdn co. with 10+ patents pend. in hand wash compliance + 100% touch free toilet systems + innov. customer satisf. rating tech.; $5M for 40% ownership.
wsjad@uberloo.com

BUSINESS OPPORTUNITIES

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THE WALL STREET JOURNAL. ASIA

Essar unit in ATC talks

American Tower may buy stake in wireless-infrastructure business

By R. Jai Krishna

NEW DELHI— **American Tower** Corp., which operates and develops wireless communications sites, is in talks to acquire a controlling stake in India's **Essar Telecom Infrastructure** Pvt. Ltd., a person involved in the process said.

A deal could expand the U.S.-based company's footprint in the fastest-growing telecommunications services market in the world.

"The deal is likely to be valued at about 20 billion rupees [$429.1 million]," the person close to the situation said, adding that the deal is likely to be funded from ATC's internal cash flows.

Essar Telecom is the tower arm of the **Essar Group**.

Officials from Essar Telecom couldn't immediately be reached for comment.

Currently, ATC's combined India portfolio exceeds 2,500 telecom towers, while Essar Telecom has 4,500 such towers, the person said.

ATC runs its business in the country through its unit, **ATC Tower** Company of India Pvt. Ltd.

The person declined to say whether the deal will be routed through this unit or another group company.

Earlier in 2009, ATC bought two Indian telecom tower companies—Xcel Telecom Pvt. Ltd. via American Tower Mauritius for an undisclosed amount and Transcend Infrastructure for 950 million rupees in cash.

Demand for passive infrastructure provided by independent telecom tower companies, such as ATC, has risen recently as a half-a-dozen new mobile-phone service providers are launching their services and existing operators expand aggressively in India's exploding telecom market.

The companies opt to lease infrastructure from third parties to reduce costs and roll out services faster as competition thickens.

In a similar deal in January, **Quippo Telecom Infrastructure** Ltd. had merged its tower business with **Wireless TT Info-Services** Ltd., the telecom tower unit of **Tata Teleservices** Ltd.

Shell pours more into biofuels

By Russell Gold

Royal Dutch Shell PLC has roughly doubled its financial support for biofuels start-up **Codexis** Inc. in the past year, the latest sign that oil companies are slowly and selectively increasing their interest in plants-to-fuels research.

Shell is on pace to spend $60 million in 2009 to fund research at Codexis, nearly twice the amount as the year before, according to regulatory filings. Codexis filed paperwork this week for a $100 initial public offering. The start-up is developing microbes to speed up the chemical reactions that turn inedible plants, such as grasses or stalks, into ethanol and diesel.

Other crude-oil companies also have increased spending on biofuels. **Exxon Mobil** Corp. said this summer it would spend $600 million over five or six years on a partnership with **Synthetic Genomics** Inc. to develop a way to turn algae into motor fuels. **Chevron** Corp. entered into a relationship in October with **Mascoma** Corp. to investigate plant-based fuel. And **BP** PLC created a venture with **Verenium** Corp. this year to build a fuel plant in central Florida next year.

Of course, this spending is tiny in comparison with these oil companies' annual capital budgets, which in some cases top $20 billion a year. But the funds are significant for biofuels research and are expected to accelerate efforts to determine if plants can be economically turned into motor fuels on a large scale.

Big oil companies don't appear to be interested in generating niche fuels. Rather, they are targeting investments at companies such as Codexis that can make a significant dent in a global 80-million-barrel-a-day fuel market. And they are steering clear of biofuels such as corn-based ethanol made from edible crops.

These investments are "proof that the oil industry sees the writing on the wall; they know they need to adapt," says Paul Dickerson, a partner at the law firm **Haynes and Boone** LLP and a former chief operating officer at the Energy Department's Office of Energy Efficiency and Renewable Energy. "We are not going to stop using oil, but these companies are aware that other energy sources are gaining traction, and they need to diversify."

Oil company interest in biofuels may be the industry's best chance right now. The industry was effectively frozen out of capital markets during the economic downturn and some advocates have been discouraged by the level of federal support.

The funding freeze has prevented the industry from fulfilling lofty goals. Two years ago, Congress envisioned that the industry would produce 100 millions gallons of biofuels from nonedible plants in 2010 and 250 million gallons in 2011. But few believe it can generate much more than 15 million gallons next year.

Kumho will sell stake in Daewoo unit

Continued from page 17

In July 2008, amid pressure from shareholders over potential losses from the put options, the poor business performance of affiliates and the global financial crisis, Kumho Asiana said it plans to raise a total of 4.574 trillion won through the sale of assets, as well as other means, in order to improve its liquidity.

Previously, two preferred bidders—**Jabez Partners** and the **TR America** consortium—had been selected.

An acquisition by KDB, which has a proven record of turning around financially troubled companies, is likely to be more stable for Daewoo Engineering's business in the longer term, a number of analysts stated.

Kumho Asiana and its creditors also decided Wednesday to place the group's two unprofitable affiliates—Kumho Industrial Co. and Kumho Tire Co.—under a debt restructuring or "workout" program to help ease the group's liquidity woes.

KDB said it will launch another private-equity fund in conjunction with domestic fund manager Consus Asset Management to acquire unlisted Kumho Life Insurance, to help Kumho Asiana Group raise additional funds.

Rueters

A sign on Kumho's office building in Seoul in November reads 'I love Daewoo Engineering & Construction.' Sale of a stake in the unit will raise $2.5 billion.

Two other group affiliates, Korea Kumho Petrochemical Co. and Asiana Airlines Inc., will implement their own restructuring programs as their financial status is improving, KDB Vice Chairman Kim Young-kee said.

Both Kumho Tire and Kumho Industrial shares ended the day down by their daily limit of 15% to close at 3,605 won and 8,330 won respectively.

Woori Finance Holdings, one of the company's large creditors, fell 4.2% to 13,850 won. Meanwhile, Daewoo Engineering was up 0.4% to 12,800 won on hopes the sale to KDB would improve its businesses.

Dave Getzschman

CEO Jeff Weiner wants to give people reasons to spend more time on LinkedIn,

LinkedIn seeks to keep business users engaged

By Scott Morrison

If **LinkedIn** Corp. wants to avoid being swamped by social-networking giant **Facebook** Inc., it will have to convince users like Jackie Nejaime to log in more often they do now.

Ms. Nejaime, a San Francisco real-estate agent, uses LinkedIn to stay in touch with her 183-person network, check out job prospects and see if someone might be interested in one of the homes she's selling. But she typically logs in only a few times a month because she says the site lacks features.

"I would like to get more use out of it," said Ms. Nejaime "I just don't know how." By contrast, the 47-year-old says she uses Facebook every day to touch base with friends and professional contacts.

It's up to LinkedIn's chief executive, Jeff Weiner, to give people like Ms. Nejaime reasons to spend more time on LinkedIn, which is mostly used by professionals to post their resumes and by corporate recruiters looking for talent.

Mr. Weiner, 39, a former senior executive at **Yahoo** Inc., took over LinkedIn a year ago with a mandate to reinvigorate the six-year-old business. While LinkedIn's membership has continued to surge, reaching 53.6 million at the end of November from 31.5 million a year ago, it has been dwarfed by Facebook, which has surpassed 350 million members.

More importantly, the amount of time people devote to LinkedIn is a fraction of the time people spend on some other social sites. Visitors spent about 13 minutes on average at LinkedIn during October, while Facebook users logged about 213 minutes and MySpace users spent 87 minutes, according to comScore, which measured the behavior of global users 15 years and older.

LinkedIn is "not really a community as much as a collection" of names, says Brigantine Advisors analyst Colin Gillis. "They are definitely in danger of losing the business-networking market."

While Facebook doesn't specifically target the professional market, hundreds of companies, such as Ernst & Young and EMC Corp., use the site to highlight their firms and recruit new candidates, said a Facebook spokeswoman. Special groups for lawyers, accountants and other professionals have cropped up all over Facebook as well.

One of Mr. Weiner's solutions is to take a page from Facebook's play book. He recently opened LinkedIn's site to third-party developers so they can create applications that will draw users to the site when they aren't looking for work.

For example, software maker **SAP** AG has written an app that allows certified SAP developers to highlight their credentials by adding a "badge" to their LinkedIn profiles. A recently announced partnership with microblogging service **Twitter** Inc. enables LinkedIn members to link their Twitter accounts to their LinkedIn profiles.

LinkedIn expects other developers will target specific interest groups. For example, a developer might build an app that enables lawyers to highlight their case histories on their profiles. Unlike Facebook, which includes games, LinkedIn said all apps for its network must be professionally oriented. Submissions will be approved on a case by case basis.

"The more relevant those experiences the more likely our membership will be to engage in those experiences," says Mr. Weiner, adding that LinkedIn has received requests from 1,500 developers for access to site's programming interfaces.

Some analysts downplay the risk LinkedIn faces from sites like Facebook and highlight the recent growth the company has seen outside the U.S. Piper Jaffray analyst Gene Munster says the "clear delineation" between social and professional networking affords LinkedIn a fair degree of breathing room.

The privately-held company says it turns a profit from ads and recruitment services, though it won't disclose its profit or revenue. And while LinkedIn says it made "significant" infrastructure investments over the past year, it still has most of the $100 million so far raised from venture capital investors.

LinkedIn is also poised to announce a series of subscription "packages," specially priced memberships that provide not-yet-disclosed products and services designed for job hunters, small business owners or other groups. The company didn't provide details, but suggested that some new third-party apps might only be available to premium subscribers.

Other partnerships are aimed at making LinkedIn more useful when members are working outside the network. For example, **Microsoft** Corp.'s upcoming version of Outlook will users to see people's LinkedIn profiles when they are sending or receiving.

Mr. Weiner acknowledges that driving membership growth, while at the same time increasing the number of apps they can use to communicate with each other, poses significant challenges. Key among them is to develop the right privacy tools so users can control who they share information with.

CORPORATE NEWS

‘Smartbooks’ elbow into PC market

Low-priced devices with cellular connections look to take on Windows netbooks, but risk consumer confusion

By Don Clark

Companies gambling that they can shake up the portable-computer market plan to lay some cards on the table in Las Vegas next week.

The 2010 Consumer Electronics Show will be a coming-out party for a new breed of ultra-small laptops that act more like smart phones—designed to be always on and connected to the Internet via 3G cellular networks, ready to call up a Web page or post an update on Twitter.

Promoters of the new devices have been pushing the term “smartbooks,” partly to distinguish them from the low-end portables called netbooks that have been the hottest thing in the PC industry over the past two years.

But there are unanswered questions about features and pricing for the new hardware, leaving the possibility that consumers could get confused with existing netbooks.

Smartbooks are expected to carry lower prices than netbooks—which can be found for as little as $250 these days. Most smartbooks are also being designed to have built-in cellular connections, so they are more likely to be sold at subsidized prices by cellular carriers along with data plans.

Although smartbooks will carry lower price tags, backers say they could generate higher profit margins for manufacturers because of savings on chips and software.

Unlike netbooks and most other laptops, smartbooks don’t use x86 microprocessors from **Intel** Corp. or **Advanced Micro Devices** Inc., nor popular versions of **Microsoft** Corp.’s **Windows** operating system.

The most vocal proponents of smartbooks, indeed, are makers of chips for cellphones that are angling for a new market. They include **Qualcomm** Inc., **Nvidia** Corp., **Freescale Semiconductor** Inc. and **Marvell Technology Group** Ltd.—which license microprocessor designs from **ARM Holdings** PLC and combine it with their own technology.

ARM-based chips tend to draw less power than x86 chips, helping to extend battery life. They also carry lower price tags; with savings on chips and low-cost operating systems, backers say smartbooks could generate higher profit margins for manufacturers.

Industry executives predict a wide variety of smartbook designs, some that look like conventional laptops and others that are much different.

“I think you’ll be amazed at what can be done when you’re not boxed in by the rules of innovation dictated by Intel and Microsoft,” says Henri Richard, Freescale’s senior vice president and chief sales and marketing officer.

Most smartbooks, which are expected to be built by both PC makers as well as manufacturers of cellphones and consumer-electronics, will run versions of the Linux operating system and low-cost chips based on designs licensed by **ARM Holdings** PLC.

Windows or x86 chips have not proven to be essential in cellphones, nor in some other wireless devices. **Amazon.com** Inc.’s hit Kindle and other electronic-reader devices use ARM chips and internally developed software, for example. **Apple** Inc., which uses ARM chips in its iPhone, is expected to make waves over the next few months with a tablet-style portable that will use the same chip technology. (Apple has declined to comment on any such product).

The resemblance of many smartbooks to netbooks may lead consumers to assume smartbooks can handle the same computing tasks. But smartbooks running Linux or its offshoots, such as **Google** Inc.’s Android, won’t run applications like Microsoft Word or Apple’s iTunes. Early netbooks that ran Linux ran into customer resistance and were quickly replaced with Windows-based models.

“Customers will likely continue to choose Windows netbook PCs over Linux smartbooks for these same reasons,” predicts Ben Rudolph, a Microsoft senior manager for Windows.

Assuming smartbooks cost $200 or so, the new hardware will wind up facing uphill competition against products such as smart phones and portable gaming devices that are well understood, argues Patrick Moorhead, AMD’s vice president of advanced marketing. Companies that choose to offer both netbooks and smartbooks face a particularly tricky marketing effort.

“It’s too big to be a phone and too small for easy content creation,” says Roger Kay, a market researcher with Endpoint Technologies Associates. “There has been little evidence that people really like that category.”

Competition may also be tough. Intel recently introduced a new, more-compact version of its Atom chip for netbooks, which is expected to prompt a flurry of low-priced models that could reduce the appeal of smartbooks. Netbook shipments doubled in 2009 to 33.3 million units and should grow another 19% in 2010, market research DisplaySearch estimates.

“Netbooks have just been a phenomenon,” says Thomas Kilroy, an Intel vice president who is general manager of its sales and marketing group.

Delays in delivering smartbooks—some of which had been expected to be available in the fourth quarter—haven’t helped their image. So far, manufacturers have mainly offered pocket-sized devices with ARM chips, such as **Nokia** Corp.’s N900 and **Sharp** Corp.’s PC-Z1 Netwalker, rather than a full-sized keyboard that is sometimes considered a defining attribute of smartbooks. Mr. Richard of Freescale expects that many designs will remain under wraps until mid-2010.

Reasons for the delays include the job of adapting some key software—particularly **Adobe Systems** Inc.’s Flash, which is needed to play popular video sites such as YouTube.

“The experience didn’t live up to what people expected,” says Mike Rayfield, general manager of Nvidia’s mobile business.

But there are signs of movement. Qualcomm Chief Executive Paul Jacobs, at a meeting with analysts in November, showed an ultra-thin red portable by **Lenovo Group** Ltd. running Flash and high-definition video, which he proclaimed to be the first true smartbook.

Lenovo won’t provide any details about the device, which is expected to be formally unveiled at CES. But Peter Gaucher, executive director of advanced technologies for the Chinese PC maker, argues that a new generation of young users is not nearly so locked into the PC environment as their elders—moving easily among smart phones and other gadgets that are designed to do fewer things well.

“As costs come down, people are going to use more purpose-built devices,” Mr. Gaucher predicts.

Smartbook supporters also say that critics underestimate the appeal of a device that is always on and connected. A greater proportion of the forthcoming devices are expected to come with built-in 3G networking than netbooks; short-range Wi-Fi connections are expected to be common to both.

So email is more likely to be pushed automatically to smartbooks rather than requiring users to log on to the Internet and fetch messages. Similarly, calling up movie times, weather forecasts and posting to Twitter and Facebook will be a matter of seconds, executives in the smartbook camp say.

Some wireless carriers, eager to expand beyond voice services, already offer netbooks at a subsidized price along with a 3G service plan. For example, **AT&T** Inc. offers **Acer** Inc.’s Aspire One netbook for $149.99. Smartbook backers expect that business model to become much more prevalent with the new hardware, which could allow carriers to offer even lower prices.

“We see subsidy being a key factor for the launch of smartbooks,” says Luis Peneda, a Qualcomm senior vice president of marketing and product management. Qualcomm’s Mr. Jacobs said AT&T would be supporting the launch of Lenovo’s smartbook; a spokesman for the carrier declined comment.

Mobile smackdown

A new breed of small portable PCs enters the ring, with these expected statistics:

	THE CHAMPION: **Netbooks**	THE CHALLENGER: **Smartbooks**
PRICE:	$250 to $400	$150 to $250
SCREEN SIZE:	7″ to 11″	5″ to 10″
MAJOR MANUFACTURERS:	Hewlett-Packard, Acer, Dell, Asustek, Lenovo	Lenovo, Sharp, others expected soon
PROCESSOR:	Intel Atom	Designs licensed by ARM Holdings
SOFTWARE:	Microsoft Windows	Google Android, other Linux variants
COMMENTS:	Surged from zero to 19% of laptop sales since late 2007; handling graphics and video are the biggest question marks	Always-connected, extremely long battery life; biggest downside is lack of Windows support

Source: WSJ Research Photos: Getty Images; Sharp

Qualcomm

Qualcomm’s CEO unveils a smartbook

German hacker uncovers cracks in cellphone code

By Niraj Sheth
And Vanessa Fuhrmans

A German hacker claims to have cracked the encryption that protects most cellphone calls, potentially paving the way for others to eavesdrop on conversations.

The claim, if true, could pose a threat to many wireless carriers who have used essentially the same security on their networks for years.

The hacker, Karsten Nohl, said he and a small team broke the encryption code for networks on GSM technology, which makes up more than 80% of the world’s cellular networks, to show how vulnerable they are and to make carriers more serious about security.

Mr. Nohl said he cancelled a planned demonstration of his hacking tools Wednesday. Mr. Nohl said the strong international response to his research made a demonstration of the hacking tools unnecessary at this time.

“We achieved our goal of informing people about the security weaknesses in mobile telephone networks,” Mr. Nohl said. He added that it is important for telephone companies to quickly improve security in their networks.

In the U.S., **AT&T** Inc. and **Deutsche Telekom** AG’s T-Mobile run on GSM technology. An AT&T spokesman declined to comment. A spokesman for Deutsche Telekom said it is in the midst of upgrading to a new encryption algorithm as part of an overall upgrade of its German network. He declined further comment.

The GSM Association, based in London and responsible for coordinating GSM encryption around the world, said it has been monitoring the research of Mr. Nohl’s team.

His group’s work seems to be a long way from practical attack capability and appears to be “motivated in part by commercial considerations,” a GSMA spokeswoman said. His team made its first claim that it could crack the code in 2007 and again earlier this year, she said.

In the meantime, the association has developed an new-generation algorithm it says further enhances privacy protection and has urged the mobile-network industry to adopt it.

Mr. Nohl has published data online that he says are key to undoing encryption protecting phone calls. The size of the data and the computing power needed mean hackers likely won’t be able to eavesdrop on conversations at will, analysts say. Instead, they would have to be selective about which calls they try to break.

“It’s likely going to be used for the corporate-espionage kind of thing,” said Stan Schatt, a security analyst at ABI Research. “In practical terms, it means hanging out in the parking lot of Google or somewhere and targeting executives with cellphones.”

Most companies don’t have enhanced security measures for cellular calls as they do for laptops or mobile email, Mr. Schatt said. While third-party encryption systems exist, the difficulty is that adding more security means that all people on a phone conversation need to have the same security enhancements.

In an interview, Mr. Nohl said the security loophole has been exploited for years by criminals using technology that previously cost several hundred thousand dollars.

Mr. Nohl, who has a doctorate in computer science from the University of Virginia and works as a McKinsey consultant, said his research has “made it much cheaper to hack into mobile-phone networks.”

A so-called white-hat hacker, he said he took on the project for academic reasons only and has no intentions of eavesdropping on calls himself.

Mr. Nohl said the security loophole is primarily a danger for people who deal regularly with confidential information. However, “the threat to the privacy of cellphone users is steadily increasing,” Mr. Nohl said.

Mr. Nohl said he doesn’t fear a lawsuit from from phone companies. “Everything we do is within the framework of academic research,” he said.

—Archibald Preuschat and David Crawford contributed to this article.

GMAC set for a new cash infusion

U.S. expected to put up $3.5 billion to cover mortgage losses, adding to $12.5 billion in aid

By Dan Fitzpatrick And Deborah Solomon

GMAC Financial Services is close to getting approximately $3.5 billion in additional aid from the U.S. government, on top of $12.5 billion already received since December 2008, according to people familiar with the situation.

The announcement, expected within days, will coincide with GMAC taking additional steps to absorb losses related to its mortgage operations, these people said. The cleanup is designed to return the Detroit-based finance company to profitability in the first quarter of 2010, according to one of these people.

A GMAC spokeswoman declined to comment on any potential government action but said, "GMAC has been conducting a strategic review of its business and evaluating options to address the challenges in its mortgage operation." The spokeswoman said GMAC wants to prepare itself to repay the U.S. government.

The willingness by the U.S. Treasury to deepen taxpayer exposure to GMAC reflects the troubled company's importance to the revival of the auto industry. The company was told to raise additional capital as part of government-led stress tests of large banks conducted earlier this year. The tests were to determine whether firms would need more capital to continue lending if the economy deteriorated in 2009 and 2010.

GMAC has filled only a portion of its capital hole and, unlike other banks that participated in the stress tests, has been unable to attract much capital from private investors. The Treasury said earlier this year that it would make as much money available to GMAC as needed to fill its capital hole and projected the firm would need another government infusion of as much as $5.6 billion.

Bloomberg News

A man leaves GMAC Insurance, a subsidiary of GMAC, in Winston-Salem, N.C., in May. The government's 35.4% stake in GMAC is likely to increase eventually.

GMAC's capital needs have turned out to be somewhat less than originally envisioned, in part because impact from the bankruptcies of **General Motors** Corp. and **Chrysler** Corp. was not as severe as federal regulators originally projected.

A Treasury spokesman said Tuesday: "As we stated on Nov. 9, Treasury is in discussions with GMAC to ensure its capital needs as determined last May by the stress tests are met."

GMAC has argued it didn't need additional support.

The Treasury has authority to provide funds to GMAC through the Troubled Asset Relief Program, the $700 billion program authorized by Congress at the height of the financial crisis. This will be the first big infusion to a single company in several months. The Treasury has been working to wind down many of the TARP programs as the financial crisis eases, and it has already seen $175 billion returned from banks.

The Treasury agreed to inject $5 billion into GMAC in December 2008, as part of a broader rescue of the auto sector, and another $7.5 billion in May after the stress tests were completed. That $7.5 billon was considered by the Treasury to be a down payment, with additional funds likely coming later.

The government's existing 35.4% stake in GMAC is likely to eventually increase, a move that could give the government more control over the firm, including the right to appoint additional directors to GMAC's board. GMAC is subject to pay restrictions imposed by the government's pay czar.

The additional financing comes as many other companies that received large sums of government aid have begun repaying the government, including **Citigroup** Inc. and **Bank of America** Corp.

GMAC, founded in 1919, provides wholesale financing for thousands of General Motors and Chrysler dealerships across the U.S., meaning scores of local distributors would be unable to bring cars onto their lots if GMAC were to collapse.

The new capital will likely allow GMAC to avoid placing its ailing mortgage unit, Residential Capital LLC, or ResCap, into bankruptcy, these people said. GMAC had set the end of the year as a deadline for deciding ResCap's fate after losses from loans made to borrowers with shaky credit dragged down GMAC's results in 2009.

The mortgage unit lost $2.7 billion through the first three quarters of 2009 following $9.96 billion of losses in 2008 and 2007.

The fate of ResCap was a flash point between the board and GMAC's former chief executive, Alvaro de Molina, who was ousted in November following clashes with the government and his directors. Board member Michael Carpenter succeeded Mr. de Molina. Some board members were upset, saying management had left out bankruptcy as an option; management's view was that it had presented all options, including a potential sale, and the board was unable to make a decision.

The mortgage-related write-downs to be announced as early as this week will affect assets held by ResCap and Ally Bank, GMAC's online bank. Ally Bank was created after the company received approval in late 2008 to convert to a bank holding company and qualify for government money under TARP. The arrangement left the Federal Reserve with regulatory authority over the parent.

Ally's pursuit of deposits at high rates became a key leg of its strategy, since deposits provide a cheap form of funding, but the taxpayer-assisted approach rankled competitors and the Federal Deposit Insurance Corp. Ally and the FDIC reached an agreement that requires GMAC to keep its rates at certain levels in exchange for the FDIC's support, according to people familiar with the situation.

—Mike Spector contributed —to this article.

REITs end roller-coaster year on a high

By A.D. Pruitt And Anton Troianovski

Real-estate stocks took investors on a wild ride in 2009 and ended the year with strong gains. Don't count on so much excitement in 2010.

The Dow Jones Equity All REIT Total Return Index is up 31% this year, reversing a 38% decline in 2008. The most recent performance outpaced the 25% return posted by the Standard & Poor's 500-stock index and was the strongest performance since 2006.

"It's been very much a roller-coaster ride this year. And we're about to end this year on a high note," said Alexander Goldfarb, an analyst with Sandler O'Neill & Partners LP. "If you go back to the beginning of 2009, the market was staring into the abyss," he said, adding that sentiment began to change as the stock market rebounded, credit spreads tightened and the recapitalization wave began.

For real-estate investment trusts, or REITS, sentiment swung from dismal to ecstatic. Early in the year, many investors were reading the funeral rites for large numbers of REITs as credit dried up amid the recession. By March 9, the Dow Jones REIT index had tumbled 76% from its high in February 2007.

REITs survived by tapping the stock market and using the proceeds to pay down debt. Other cash-preserving measures included dividend cuts. Others paid dividends by using a combination of stock and cash. By year's end, only one large property-owning REIT, mall company **General Growth Properties** Inc., filed for bankruptcy protection.

Still, the stock volatility was ferocious and dispelled any notion that REITs were just a safe-haven play, as some investors had believed.

"I don't think [REITs] are ever going to be viewed again as a safe, boring, high-yielding investment, because they're not," said Mike Kirby, chief analyst for real-estate research firm Green Street Advisors. "Their leverage makes them something that's not quite a pure play on real estate and adds a lot of volatility," he said.

The outlook for 2010 isn't bright. Mr. Kirby said REITs still carry too much debt and are expensive relative to other stocks and bonds. Other analysts note that given the run-up this year, there aren't many sectors in the REIT world that have room to move higher.

"A lot of the upside has been soaked up out of the big names at this point," said Chris Lucas, a senior analyst at Robert W. Baird & Co. "At these valuations relative to historic [returns]...things feel pretty overvalued."

Mr. Lucas anticipates returns next year to come in flat to up 10%, but anticipates the self-storage, industrial and student-housing REITs to outperform because those sectors aren't dependent on job creation.

This year, hotel REITs were the market's crown of glory. The sector jumped 69% as investors bet that the worst of the commercial real-estate crisis had passed.

Hotels are most sensitive to economic downturns because tenants don't sign long-term leases. For the same reason, they often are the first to snap back.

Regional malls, another recession-sensitive sector, also bounced back, rising 64%.

Strip-mall owners were among the biggest underperformers in the equity REIT sector, declining 0.7% on the Dow Jones index.

One key to the turnaround in REIT performance in 2009 was that deal makers peddled a new thesis: REITs can be opportunistic vehicles that take advantage of the carnage in commercial real estate by buying bargains. "Our phone is ringing incessantly," said Ron Sturzenegger, who heads real-estate investment banking for **Bank of America** Corp.'s Bank of America Merrill Lynch. "People come in to see us asking, 'Can I go public?' "

Bank of America underwrote several "blind-pool" REIT initial public offerings in 2009 that offered investors little more than a well-known management team and the promise of good deals in the future.

Several private-equity shops, including **Starwood Capital Group**, **Colony Capital** LLC, and **Apollo Management** LP, held IPOs to raise money for REITs that would invest in real-estate debt.

This month, **Pebblebrook Hotel Trust** became the first company since the downturn to mount a successful IPO for a blind-pool REIT that would invest directly in properties. Several more such deals are in the pipeline.

Spanish bank, SMFG boost stakes in BEA

By Chester Yung And Joyce Li

HONG KONG—Spain's **Criteria CaixaCorp** SA and Japan's **Sumitomo Mitsui Financial Group** Inc. will increase their stakes in **Bank of East Asia** Ltd. for a combined US$659 million, deepening their commitment to the Asian market.

The deal reduces the prospect of the midsize Hong Kong lender becoming a takeover target, analysts said. The move follows media speculation last month that the bank's second-biggest holder, **Guoco Group** Ltd., may seek a controlling interest.

Criteria agreed to pay €331 million (US$475 million) to raise its stake to 14.99% from 9.81%. The move will further strengthen ties between the two banks and help boost Bank of East Asia's capital base. It also cements Criteria—a listed arm of La Caixa, Spain's third-largest financial institution by assets—as BEA's single largest shareholder.

BEA, which is controlled by Chairman David Li and his family, said it plans to sell 120.8 million new shares to Criteria for 30.60 Hong Kong dollars (US$3.95) each, representing a discount of 2.1% to its closing share price Wednesday of HK$31.25.

The Hong Kong bank also said it agreed to sell 46.3 million new shares to Sumitomo Mitsui Banking Corp., the core unit of Japan's SMFG, at similar terms, for HK$1.42 billion. That will raise the Japanese bank's stake in the lender to 4.05% from 1.91%. The move comes as SMFG looks to expand in other parts of Asia amid tough competition in Japan.

Bank of East Asia's share sale to Criteria comes as part of an agreement between the two companies in June that allows Criteria to raise its stake to a maximum 20%. Criteria acquired a 4.34% stake in the lender in 2007.

As part of the June deal, Bank of East Asia and Criteria agreed to be each other's exclusive vehicle for strategic investments in the Asian-Pacific region and Spain, respectively.

Criteria's increased ownership in Bank of East Asia significantly widens the Spanish lender's lead against Guoco Group, which has an 8.01% stake.

Guoco, a conglomerate controlled by Malaysian tycoon Quek Leng Chan, has been steadily raising its stake in the bank since buying a 5.02% interest in January, leading to media speculation that it will eventually seek control.

BEA's shares have risen sharply on such speculation, more than doubling since the start of this year.

BEA Deputy Chief Executive Samson Li said that the latest share sale had "nothing to do" with defending the bank against hostile takeovers. He said the main purpose was to strengthen its capital base.

But a more-diversified shareholding could help thwart a hostile takeover.

"This complicated shareholder structure makes Bank of East Asia a less appealing mergers-and-acquisition target," said Grace Wu, an analyst at Nomura International.

Bank of East Asia said it will raise HK$5.11 billion from the share sale, which will boost its capital-adequacy ratio to 16% from 13% as of June 30.

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The findings at ECO:nomics will be published in a Wall Street Journal special report shortly after the conference.

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Questions surround Fannie, Freddie

U.S.'s easing of portfolio limits may buoy mortgage market as Fed pulls back; increasing 'nationalization'?

By Nick Timiraos

The U.S. government's move to ease the limits on the securities holdings of **Fannie Mae** and **Freddie Mac** has ignited a debate among analysts about what the companies will do with their longer leash.

When the Treasury Department took over Fannie and Freddie last year, one of the requirements they set for the companies required them to begin shrinking their portfolios of mortgages and related investments, which total a combined $1.5 trillion. The idea was to rein in the companies' size and growth.

But last Thursday, the Treasury eased that requirement, meaning the companies won't be forced to sell mortgages next year into an already weak market and could even buy mortgages on the market, which could help hold down interest rates. The Treasury also suspended for the next three years the $400 billion cap on the bailout subsidy that the government will offer. That could give them more flexibility to modify mortgages without worrying about taking losses.

Mahesh Swaminathan, senior mortgage analyst at Credit Suisse, said the firms could use their increased capacity to purchase delinquent loans from pools of mortgage-backed securities that they guarantee. Fannie and Freddie already purchase defaulted loans as they modify them under the administration's loan-modification program, but the additional breathing room means it is now a "slam-dunk for them to speed up" purchases of delinquent loans, Mr. Swaminathan said. New accounting rules that take effect in 2010 also could make it more cost-effective for the companies to buy out bad loans and keep them in their investment portfolios.

The relaxed portfolio limits calmed investor worries that Fannie and Freddie would be forced to sell some of their mortgage holdings just as the Federal Reserve was preparing to wind down its purchases of mortgage-backed securities next spring. The Fed's commitment to buy up to $1.25 trillion has helped to keep mortgage rates near record lows; without that support some economists have said rates could rise to 6% by the end of 2010.

"The alternative would have been them selling into that market, which would have been even more difficult for the market to bear," Mr. Swaminathan said. Others said the new flexibility means that Fannie and Freddie could replace the Fed as a big buyer of mortgage-backed securities, especially if weak demand for mortgage-backed securities from private investors drives rates higher.

"It's created a government-purchasing facility other than the Fed," said Karen Shaw Petrou, managing partner of Federal Financial Analytics, a research firm in Washington.

A Freddie spokesman said the company has used and will continue to use its investment portfolio as "an important tool" to "keep order in the housing and housing-finance markets." A Fannie spokesman declined to comment.

A Treasury official said the more generous portfolio limits were offered to avoid forcing the companies to actively sell their holdings, and they didn't intend for Fannie and Freddie to be active buyers of mortgages. But some analysts said the government wouldn't object to Fannie and Freddie's presence in the market. "You're going to hope that because of their lower cost of capital they will be a bid in the marketplace," said Joshua Rosner, managing director of Graham Fisher & Co.

Ms. Petrou said that the recent moves "make sense in a short-term way because you avoid market volatility," but the prospect of limitless aid will make it harder to extricate Fannie and Freddie from the government.

"In a long-term way, it promotes nationalization of U.S. mortgage finance. We have increasingly gigantic, increasingly federal agencies eating up every mortgage out there," she said.

Although Fannie's and Freddie's core business is their role guaranteeing payments to mortgage investors, for years they earned additional profits and generated controversy by maintaining a large investment portfolio filled with mortgages and related securities.

The most controversial part of the Christmas Eve announcement was the decision to erase any caps on the amount of Treasury money that the firms can take. That gives the mortgage-finance companies and their government masters a much freer hand to respond to the housing crisis in the year ahead, possibly by moving more aggressively to modify troubled loans.

Some analysts said the companies now have greater flexibility to pursue more expensive loan modifications, including by writing down loan balances, which would have generated losses, requiring more government cash. But without a bailout ceiling, the administration "needs no longer worry that anything they do would drive Fannie or Freddie over the edge into negative net worth," said Ms. Petrou.

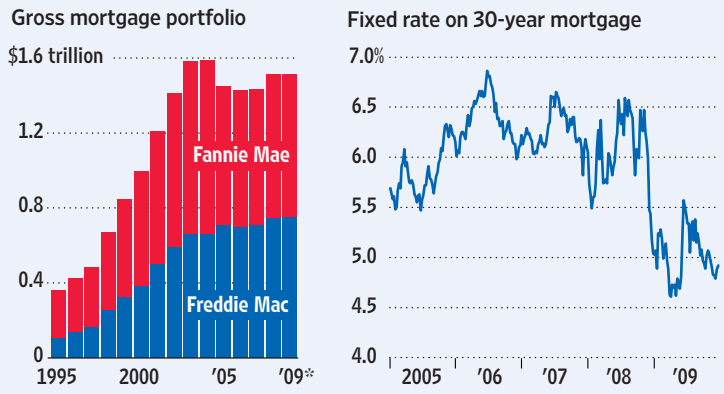
A Treasury representative said the bailout caps were suspended "specifically to ensure continued confidence in Fannie Mae and Freddie Mac, but were not based on any considerations" related to an expansion of the administration's loan-modification program.

The Treasury already has handed over about $112 billion to help shore up the companies, which were among the first big financial institutions to fall under government control in the wake of the nation's mortgage crisis.

Fannie and Freddie are playing a crucial role in providing mortgage liquidity. They own or guarantee half of the nation's $11 trillion in home mortgages and together with the Federal Housing Administration are responsible for backing nearly nine in 10 mortgages.

Loan limit

Some analysts say Fannie Mae and Freddie Mac could use excess capacity in their portfolios to help hold down mortgage rates next year.

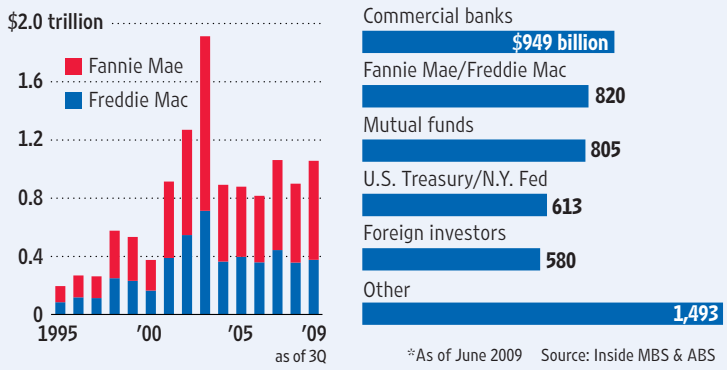


*Through November

Sources: the companies (portfolio); Mortgage Bankers Association

Government holdings

The Federal Reserve and U.S. Treasury kept mortgage rates low in 2009 by buying up mortgage-backed securities.



*As of June 2009 Source: Inside MBS & ABS

Lehman's Europe clients approve repayment plan

By Ainsley Thomson

LONDON—Former clients of Lehman Brothers' European operations voted in favor of a plan to speed up the return of about $11 billion in frozen client assets, the collapsed bank's European administrator said Tuesday.

The administrator, PricewaterhouseCoopers, said more than 90% of the bank's former clients voted for the plan, a multilateral contract known as a claim-resolution agreement. It governs the basis on which the administrators can return the assets.

The former clients, who number about 1,000 and are mainly hedge funds, must now file their claims for the frozen assets by March 19. PwC said it anticipates it will begin distributing the assets shortly after the deadline.

Steven Pearson, joint administrator and partner at PwC, said he was delighted the plan has received the "overwhelming support" of the clients. "The claim-resolution agreement now provides an agreed basis on which to systematically settle clients' claims and reunite them with their assets," he said.

PwC said it held meetings with former clients of the bank in London and New York in December to garner approval for the plan.

At least 90% of the clients had to be in support for the plan to be instigated.

The claim-resolution agreement was proposed by PwC after the U.K. Court of Appeal last month rejected the use of a "scheme of arrangement" to expedite the return of the client assets.

The scheme of arrangement was designed to speed up the return of assets by dealing with the bank's clients collectively, rather than negotiating bilateral agreements. However, the court ruled it didn't have jurisdiction to sanction the plan.

When PwC was appointed as administrators Sept. 15, 2008, Lehman's European arm held $32 billion in client assets. Since that date, $13.3 billion has been returned via bilateral agreements.

Lehman's collapse caused financial chaos around the world, prompting nearly 80 Lehman subsidiaries world-wide to fold. Each subsidiary is being wound down under the legal regime of the country in which it is based.

CFTC's top economist to leave

By Sarah N. Lynch

WASHINGTON—Jeffrey Harris, the chief economist at the U.S. Commodity Futures Trading Commission who last year said he could find no direct link between speculation and high energy prices, is leaving the agency and returning to academia.

Mr. Harris's departure comes at a critical time for the CFTC, which plans to unveil a proposal to impose new trading limits on crude oil and other energy futures products.

CFTC Chairman Gary Gensler is the driving force behind the proposal, saying it is the CFTC's duty to protect the American public from excessive speculation. He is pushing for the consideration of new limits, even though the agency's economic team reportedly found no evidence of a causal link between excessive speculation and last year's record crude-oil prices.

Mr. Gensler had hoped to put out a proposal on position limits by the fall, but details of the plan have yet to emerge.

Efforts to impose limits on energy commodities is a reversal from the CFTC's position last year when it was being led by Republican acting Chairman Walter Lukken. At that time, critics blamed speculators for the high prices and lashed out at the agency for doing little to stop it.

As the CFTC's chief economist, Mr. Harris played an important role in analyzing market data surrounding the speculation debate. He testified several times before Congress on the issue and was chairman of the interagency task force that produced a controversial 2008 report on crude oil.

The report raised the ire of some lawmakers because it concluded that there was no evidence speculators had been systematically driving price changes in the crude-oil market.

A handful of Democrats in the U.S. Senate later asked the inspector general to investigate the agency to see if the report's findings were politically motivated, but the internal watchdog said he found no such evidence of political meddling or the use of flawed data.

"The political salience of the CFTC has been so much higher in the past couple of years than probably any time in its history and there have been very economically controversial issues that he's had to handle," said Craig Pirrong, a director of energy markets at the University of Houston's Global Energy Management Institute. "There isn't a doubt he has had probably the toughest job of any CFTC economist."

A CFTC spokesman said Mr. Harris's final departure date hasn't been set but that he will return to his position as a professor at the University of Delaware's Alfred Lerner College of Business and Economics. He is slated to teach classes on investments and derivatives in the spring semester starting Feb. 8. The CFTC spokesman said no interim successor has been named.

Mr. Harris was appointed chief economist by former acting chairman Mr. Lukken. Before becoming chief economist in 2007, he was a consultant to the agency in 2006.

During his time at the CFTC, Mr. Harris initiated the "This Month in Futures Markets" report, a monthly online publication looking at large trader activity. He also was chairman of a panel that looked at convergence issues in the agricultural markets. He has a Masters in Business Administration from the University of Iowa and a doctorate in finance from Ohio State University.

With the departure, Mr. Gensler now will have the opportunity to appoint a new chief economist whose views could be key in the agency's decision-making on speculative position limits.

Profits leave high hurdle for stocks

[Ahead of the Tape]

By Mark Gongloff

Wall Street has formed a fairly solid consensus that corporate earnings will spike in 2010. The problem for stock investors is that the market may be priced for it already.

The forecast of Wall Street analysts is that companies in the Standard & Poor's 500-stock index will earn $77.54 a share next year, according to Thomson Financial, implying a gain of roughly 30% over 2009.

This is a "bottom-up" forecast, adding together the outlook of each equity analyst for the individual stock they cover. Such forecasts are almost always more optimistic than "top-down" estimates, compiled by economists and strategists who take a broader, macroeconomic view, says S&P index analyst Howard Silverblatt.

The top-down forecast for 2010 earnings is $72.52 a share, based on a tally of the views of 18 strategists and economists conducted by The Wall Street Journal—a 21% gain. The gap between the camps was much wider, roughly $40 per share, a year ago at the height of the financial crisis. That suggests more clarity and comfort about the 2010 outlook.

Economic growth is expected to be slow next year, suggesting revenue growth will stay sluggish, as well. Both earnings views assume a return to at least near-record profit margins, which seems a tall order.

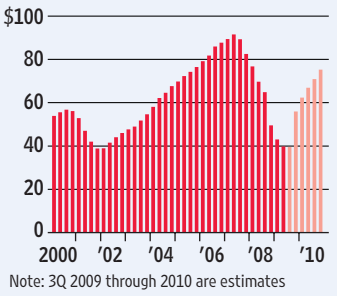
There are reasons for optimism. Margins will thicken if companies stay slow to hire. One-time federal tax breaks for corporations, worth $30 billion by some estimates, also will help. And S&P 500 companies derive nearly half of their earnings overseas, where growth is expected to be stronger.

Cash-rich companies will likely start buying back stock again, boosting earnings per share, says Brian Bethune, chief U.S. financial economist at IHS Global Insight.

The S&P 500 already trades at about 15 times the most-optimistic earnings forecast. That isn't far from its long-term average. The next year may be a good one for corporate earnings, but the pressure is on for firms to meet high expectations.

Profit revival

Operating earnings per share, trailing four-quarter total



Note: 3Q 2009 through 2010 are estimates
Source: Standard & Poor's

FDIC targets slice of upside

Regulator to ask bidders for failed banks to cut it in on gains if their shares rally

By Robin Sidel

The U.S. government auctioned off more than 100 failed banks o other financial institutions in 2009. Now, it wants a bigger cut of the action.

In 2010, the Federal Deposit Insurance Corp. will ask bidders for some seized banks to offer the agency a chance to profit if the deal is well-received by the buyer's shareholders.

The strategy comes after the FDIC collected $23.3 million this month from **New York Community Bancorp** Inc. as part of the regional bank's recent acquisition of **AmTrust Bank**, a Cleveland thrift that failed. The purchase included an unusual financial provision inserted by New York Community to give it an edge over rival bidders.

The provision entitled the FDIC to reap gains from a rally in New York Community's stock price after it announced the AmTrust purchase.

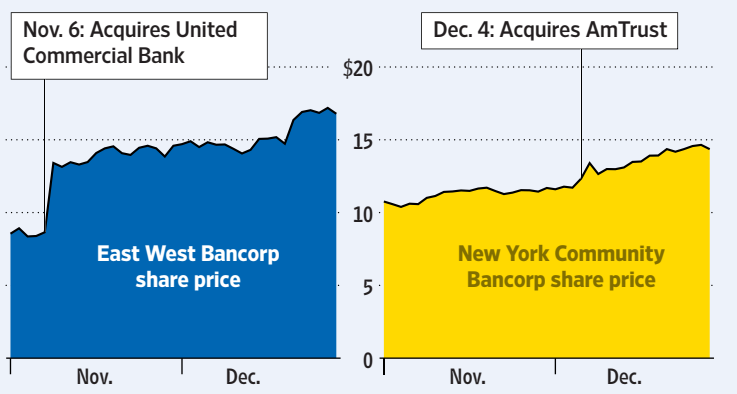
The mechanism paid off for the government when New York Community's stock price rallied more than 16% in the two weeks after the deal, which will substantially expand the regional bank's deposit base.

The FDIC is now embracing that provision, which is a variation of a mechanism that it used in the 1980s, because shares of a number of banks recently have rallied after the purchase of a failed institution.

The FDIC's deposit-insurance fund, which had $45.2 billion in its coffers in June 2008, has been wiped out in the banking crisis and is expected to stay in the red until 2012. The agency views the new mechanism as another way to strengthen its financial position.

"We feel that the FDIC should participate in that increase in value," says Herbert Held, an associate director in the agency's division that handles bank failures. The provision will likely be included only in transactions that involve sizable buyers that are publicly traded.

Bidding up | Impact of bank acquisitions



Source: WSJ Market Data Group

The job of selling failed banks has intensified in recent months as a growing number of small and regional companies have struggled to cope with ballooning losses. The FDIC technically doesn't close the institutions, leaving that job to the regulatory agencies that oversee the banks. It does, however, arrange auctions for the seized banks, selecting a winning bidder for the failed institution's deposits and assets.

The agency plans to include the provision as one of the financial terms that it provides to buyers of failed banks. The FDIC chooses the winning bids in a failed-bank auction based on multiple factors.

By late 2009, regulators had seized 140 banks and the flood of closures is expected to continue in 2010. Banks have grown more enthusiastic about bidding on failed banks in recent months, partly due to a strategy where the FDIC shares in losses that are associated with the closed institution.

The FDIC missed out on a rally in the shares of **East West Bancorp** Inc., which in November acquired the bulk of **United Commercial Bank**, a San Francisco-based institution with 63 branches and $10.4 billion in assets. East West's stock price jumped 60% in the two weeks after it acquired the failed bank. The two institutions cater to the Chinese community.

"The pop in East West [stock] was pretty spectacular. It would have been nice to participate in that," Mr. Held said.

The agency got its chance when New York Community's bid for AmTrust included an "equity-appreciation instrument" that gave the FDIC an opportunity to make money if the Westbury, N.Y., bank's shares rallied after its deal.

After losing out on other auctions for failed banks, "we decided to try to structure something that was definitively positive to all parties," said Joseph Ficalora, New York Community's chairman and chief executive. The bank would be eager to include the provision in future bids for other failed institutions, he said.

The mechanism came in the form of 25 million "units" of New York Community that could be exchanged for cash or stock. The value was based on the difference between New York Community's closing price of $12.33 on the day of the deal and the price at a future point that would be no later than Dec. 23.

Shares of New York Community rallied after the deal, prompting the FDIC to exchange its holdings for cash in two transactions on Dec. 9 and Dec. 17 that yielded $23.3 million, according to a regulatory filing made by the bank. Still, it appears the agency left some money on the table because the stock price continued to rise after it made the exchange.

So far, shareholders have shrugged off dilution caused by the special government units. New York Community also issued 69 million new shares to pay for the AmTrust transaction.

The FDIC still is working out the details of what it will require from future bidders, Mr. Held says, but the agency will begin including the provision in documents early next year.

Charles Wendel, founder of Financial Institutions Consulting Inc. in Ridgefield, Conn., says the FDIC will likely have plenty of opportunities to use the new mechanism.

"Some of these early deals have been pretty rich for investors, so if the economy comes back and management teams are competent, there should be real upside," he said.

Big fund losers of '08 rebound

By Eleanor Laise

Some of the mutual-fund world's big 2008 losers were back on top in 2009.

Amid a strong stock-market rebound, many funds hardest hit by last year's losses are far outpacing their rivals. These include a number of value-oriented portfolios that tend to focus on out-of-favor stocks, such as **Aegis Value**, **Legg Mason Capital Management Opportunity** and **Vanguard Capital Value**.

This year's results demonstrate the perils of picking mutual funds based on short-term track records. Indeed, **Forester Value**, which was the only U.S. diversified stock fund to rise in 2008, fell to the bottom quartile of its large-cap value category, though it still was up 19% through Monday.

Excluding leveraged funds, Aegis Value was the top-performing U.S. diversified stock fund for the year through Dec. 28, with a 93% return, according to investment researcher Morningstar. The strong run comes on the heels of a dismal 2008, when the fund lost 51% and fell near the bottom of its category. It currently has $140 million in assets.

The turnaround wasn't the result of any big strategy change, says Scott Barbee, the fund's manager. He notes that highly leveraged hedge funds hit by the credit crunch in 2007 and 2008 dumped many of the small and microcap holdings favored by Aegis Value, driving those stocks to bargain levels that set the stage for this year's rebound.

"I was the passenger, for the most part, on this ride," he says.

Birmiwal Oasis, a small-cap growth fund, is in second place behind Aegis Value with a 91% rise, after losing 63% last year. Bill Miller's Legg Mason Capital Management Opportunity fund, which fell 65% last year, is in third place for 2009 with an 88% rise through Dec. 28, according to Morningstar.

Many of 2009's top-performing managers are contrarian stock-pickers willing to put a chunk of fund assets into their top picks. Legg Mason Capital Management Opportunity and Aegis Value recently had more than 40% of assets in their top 10 holdings, according to Morningstar. One stock, **Dana Holding**, contributed roughly 15 percentage points to Aegis Value's performance this year, Mr. Barbee says.

In Legg Mason's Opportunity fund, bets on bank preferred stocks were big contributors to 2009's performance, says assistant portfolio manager Samantha McLemore. The fund bought preferred shares of such firms anies as **Bank of America** and **Citigroup**. As with Aegis Value, much of the fund's rebound resulted from sticking with its strategy. "We didn't make any wholesale changes," Ms. McLemore says.

Though Forester Value didn't repeat its chart-topping 2008 returns, it still enjoyed the fruits of that performance. The fund, which has about $100 million in assets, has taken in roughly $50 million in new money from investors this year, says manager Tom Forester.

Aegis Value hasn't been getting much new cash from investors chasing its strong performance, Mr. Barbee says. "We're in the penalty box" because of its volatility, which has led to a relatively low two-star rating from Morningstar, he says.

Given the volatility of many of 2009's top performers and investors' tendency to focus on short-term returns, "these funds might be a little too bold" for many shareholders, says Jonathan Rahbar, mutual-fund analyst at investment-research firm Morningstar Inc.

Despite their recent strong runs, several of 2009's top-performing managers say they still see plenty of opportunities in the market. "We remain pretty optimistic and still think there's significant upside," Legg Mason's Ms. McLemore says.

Scotiabank boosts stake in Xi'an City

By Caroline Van Hasselt

TORONTO—**Bank of Nova Scotia** said it raised its stake in **Xi'an City Commercial Bank** to 14.8% from 1.6%, expanding its footprint in the world's fastest-expanding economy.

Scotiabank, Canada's third-largest bank and the most globally diversified of the five big Canadian banks, said it eventually plans to increase its stake to 20%, the limit for foreign-bank investments in China. It already has entered into agreements to lift its stake to 18.1%. When the stake raising is completed, the total investment will be about 162 million Canadian dollars (US$155.2 million).

Xi'an City Commercial Bank is based in Xi'an, a city of more than eight million people in western China.

The bank, which ranks third in the city's loan market share, serves more than 1.2 million customers across 113 branches and has total assets of about C$9.3 billion.

It's "a great opportunity for us to capitalize on the strength of the China market," said Rob Pitfield, Scotibank's group head of international banking.

Dollar rises on yen; won activity seen

A Wall Street Journal Roundup

CURRENCY MARKETS

The U.S. dollar touched a three-month high against the yen Wednesday as fears of a bankruptcy filing by Japan Airlines Corp. and credit-agency concerns about the nation's fiscal outlook pressured the Japanese currency.

The dollar added to gains against most major counterparts after a report on business activity in the Chicago area unexpectedly improved this month.

Meanwhile, the Bank of Korea may have intervened in the local currency market toward the end of the session to cap a rise in the won, according to four Seoul-based currency traders.

The central bank likely bought the dollar around 1,163 won through a state-run bank, they said. One of those traders at a local bank estimated the Bank of Korea bought between $300 million and $500 million. The dollar was at 1,163.65 won midday in New York, down from 1,167 won late Tuesday.

The Bank of Korea has been stepping into the market frequently in recent months to curb the local currency's rise, which has gained about 35% since its low in March. Domestic authorities are concerned that the won's persistent strength may sap an export-led recovery in Asia's fourth-largest economy.

The dollar hit intraday highs against the euro, yen and the Canadian dollar after the Dow Jones Industrial Average opened lower. The greenback climbed to its highest level against the yen since Sept. 21, while data showing that bank loans to companies in the euro zone fell in November added further pressure on the common currency.

"Equities are somewhat under pressure and commodities as well, which is helping the dollar," said Kasper Kirkegaard at Danske Bank in Copenhagen. "It's too early to dismiss the negative correlation between equities markets and the dollar."

At midday in New York, the dollar was at 92.50 yen from 92.04 yen late Tuesday. The euro was at $1.4349 from $1.4351 and at 132.73 yen from 132.09 yen. The U.K. pound was at $1.6087 from $1.5899, while the dollar was fetching 1.0361 Swiss francs from 1.0368 francs.

The ICE Dollar Index, which tracks the dollar against a trade-weighted basket of currencies, was at 77.85 from 77.862.

Light trading, which is typical for the days between the Christmas and New Year's holiday breaks, was exaggerating currency moves.

European data released Wednesday showed bank lending to companies operating in the 16 countries that use the euro fell in November, an indication that the euro zone's recovery remains fragile.

Treasurys rise; last sale of '09 is a success

By Deborah Levine

U.S. CREDIT MARKETS

Investors breathed a sigh of relief Wednesday over the success of the last Treasury-note sale of the decade Wednesday.

The seven-year security came in at a yield of 3.345%, compared with the 3.346% just before the auction at 1 p.m. in New York. The bid-to-cover ratio was 2.72, above the average of 2.56 from the past 10 auctions.

The indirect bid, a proxy for demand from foreign buyers including central banks, was 45%, compared with 62.5% in November and 59.3% in October.

Treasury prices were higher ahead of the auction and the gains continued afterward. Late morning in New York, the 10-year note was up 3/32, or 93 cents for each $1,000 invested, for a yield of 3.795%. The 30-year bond was up 13/32 at 96 1/32, to yield 4.621%. The two-year Treasury rose 1/32 to 99 27/32 for a yield of 1.079%.

The Treasury Department sold $34 billion in seven-year debt in the third note auction of the week. The market rallied Tuesday after the five-year note sale, with traders citing relief at simply finishing the two bigger sales in a holiday-shortened week with thin trading volume.

"In the past year, the seven-year has managed to have strong auctions with the market in rally mode, and [Wednesday] should prove a repeat," George Goncalves, chief fixed-income rates strategist at Cantor Fitzgerald, said early Wednesday.

The seven-year note was reintroduced in February, after a 16-year absence, as part of the government's plan to spread out its mounting debt-issuance needs. The U.S. has sold $2.183 trillion in notes, bonds and inflation-indexed debt in 2009, according to CRT Capital Group.

Some analysts were encouraged after the past two auctions that, despite a selloff since Dec. 18, yields on two-year and 10-year notes failed to break through key levels.

"It's hard to draw too many conclusions from light volume and thin trading; it was an encouraging sign nonetheless after a week of selloffs in the Treasury market," strategists at RBS said.

FUND SCORECARD

HF Distressed Securities

These funds specialize in financially troubled companies. Bankruptcy, distressed sales, or reorganizations are some opportunities. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending December 30, 2009

Leading 10 Performers

FUND RATING*	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US** YTD	1-YR	2-YR	5-YR
2	**Contrarian European Fund, L.P.**	Contrarian Capital Management LLC	EUR	United States	**29.69**	36.54	-10.38	0.00
3	**Contrarian Capital Fund I**	Contrarian Capital Management LLC	USD	United States	**35.20**	35.89	-1.02	5.90
NS	**PSAM Rebound Partners LP**	P Schoenfeld Asset Mgmt LP(NY)	USD	Cayman Isl	**41.94**	35.10	NS	NS
NS	**PSAM Rebound Fund Ltd**	P Schoenfeld Asset Mgmt LP(NY)	USD	Cayman Isl	**41.88**	35.05	NS	NS
4	**Wexford Credit Opportunities LP**	Wexford Capital LLC	USD	United States	**32.56**	32.69	9.84	10.94
4	**Wexford Offshore Credit Opts Limited**	Wexford Capital LLC	USD	Cayman Isl	**32.56**	32.69	9.85	10.89
2	**DDJ Credit Opportunities Fund**	DDJ Capital Management, LLC	USD	United States	**31.68**	24.69	-7.79	NS
3	**Catalyst Credit Opp Offshore Ltd**	Catalyst Investment Management Co., LLC	USD	Cayman Isl	**26.82**	22.53	1.38	7.23
3	**Contrarian Fund I Offshore**	Contrarian Capital Management LLC	USD	Cayman Isl	**31.84**	22.02	-3.55	6.28
3	**Catalyst Credit Opportunity Fund LP**	Catalyst Investment Management Co., LLC	USD	United States	**25.93**	21.94	0.81	6.86

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
AHW CAPITAL MANAGEMENT									
Tel (+49) 1805 - 23 82 82									
www.ahw-capital.com									
AHW Top-Div.Int.	GL	EQ	LUX	12/29	EUR	54.85	21.7	26.2	-28.3
ALLIANCE BERNSTEIN									
www.alliancebernstein.com/investments Tel. +800 2263 8637									
Am Eq Blend A	OT	OT	LUX	12/29	USD	10.44	27.2	31.7	-15.4
Am Eq Blend B	US	EQ	LUX	12/29	USD	9.81	25.9	30.5	-16.1
Am Growth A	US	EQ	LUX	12/29	USD	31.36	36.9	41.1	-6.7
Am Growth AX	US	EQ	LUX	12/29	USD	33.84	37.7	41.9	-6.1
Am Growth B	US	EQ	LUX	12/29	USD	26.36	35.5	39.6	-7.6
Am Growth C	US	EQ	LUX	12/29	USD	28.37	36.3	40.4	-7.0
Am Growth I	US	EQ	LUX	12/29	USD	34.75	38.0	42.2	-5.9
Am Income A	US	BD	LUX	12/29	USD	8.43	24.4	25.5	5.4
Am Income A2	US	BD	LUX	12/29	USD	19.03	25.0	25.4	5.4
Am Income A2	OT	OT	NA	12/29	HKD	147.58	NS	NS	NS
Am Income AT	OT	OT	NA	12/29	HKD	65.53	NS	NS	NS
Am Income AT	US	BD	LUX	12/29	USD	8.45	25.1	25.6	5.4
Am Income B	US	BD	LUX	12/29	USD	8.43	23.5	24.5	4.6
Am Income B2	US	BD	LUX	12/29	USD	16.40	24.1	24.6	4.6
Am Income B2	OT	OT	NA	12/29	HKD	127.19	NS	NS	NS
Am Income BT	OT	OT	NA	12/29	HKD	65.84	NS	NS	NS
Am Income BT	US	BD	LUX	12/29	USD	8.49	24.2	24.7	4.6
Am Income C	US	BD	LUX	12/29	USD	8.43	23.8	24.8	4.9
Am Income C2	US	BD	LUX	12/29	USD	24.39	24.5	24.9	4.9
Am Income I	US	BD	LUX	12/29	USD	8.43	25.1	26.3	6.0
Am Value A	US	EQ	LUX	12/29	USD	8.61	19.4	24.6	-14.3
Am Value B	US	EQ	LUX	12/29	USD	7.93	18.2	23.3	-15.1
Am Value C	US	EQ	LUX	12/29	USD	8.61	18.8	24.1	-14.7
Am Value I	US	EQ	LUX	12/29	USD	9.27	20.4	25.6	-13.6
Emg Mkts Debt A	GL	BD	LUX	12/29	USD	15.55	43.4	44.4	7.6
Emg Mkts Debt A2	GL	BD	LUX	12/29	USD	20.09	44.3	44.4	7.6
Emg Mkts Debt AT	GL	BD	LUX	12/29	USD	15.67	44.4	44.4	7.6
Emg Mkts Debt B	GL	BD	LUX	12/29	USD	15.55	42.2	43.1	6.5
Emg Mkts Debt B2	GL	BD	LUX	12/29	USD	19.34	42.8	42.9	6.5
Emg Mkts Debt BT	GL	BD	LUX	12/29	USD	15.64	42.8	42.9	6.5
Emg Mkts Debt C	GL	BD	LUX	12/29	USD	15.55	42.8	43.8	7.1
Emg Mkts Debt C2	GL	BD	LUX	12/29	USD	19.74	43.7	43.7	7.1
Emg Mkts Debt I	GL	BD	LUX	12/29	USD	15.55	44.1	45.1	8.2
Emg Mkts Growth A	GL	EQ	LUX	12/29	USD	34.29	71.1	75.9	-14.1
Emg Mkts Growth B	GL	EQ	LUX	12/29	USD	29.06	69.4	74.2	-14.9
Emg Mkts Growth C	GL	EQ	LUX	12/29	USD	29.72	70.3	75.1	-14.4
Emg Mkts Growth I	GL	EQ	LUX	12/29	USD	38.01	72.5	77.4	-13.4
Eur Growth A	OT	OT	LUX	12/29	USD	10.08	26.0	28.8	-17.9
Eur Growth A	OT	OT	LUX	12/29	EUR	7.02	26.0	28.8	-17.9
Eur Growth B	OT	OT	LUX	12/29	EUR	6.31	24.7	27.5	-18.7
Eur Growth B	OT	OT	LUX	12/29	USD	9.06	24.7	27.5	-18.7
Eur Growth C	EU	EQ	LUX	12/29	EUR	5.32	25.5	28.2	-18.2
Eur Growth I	OT	OT	LUX	12/29	USD	10.98	26.9	29.7	-17.2
Eur Growth I	OT	OT	LUX	12/29	EUR	7.65	26.9	29.7	-17.2
Eur Income A	OT	OT	LUX	12/29	EUR	6.60	38.9	40.0	3.8
Eur Income A	OT	OT	LUX	12/29	USD	9.47	38.9	40.0	3.8
Eur Income A2	OT	OT	LUX	12/29	EUR	12.87	39.7	40.0	3.9
Eur Income A2	OT	OT	LUX	12/29	USD	18.47	39.7	40.0	3.9
Eur Income AT	EU	BD	LUX	12/29	EUR	6.62	39.6	39.9	3.8
Eur Income B	OT	OT	LUX	12/29	EUR	6.60	38.1	39.1	3.1
Eur Income B	OT	OT	LUX	12/29	USD	9.47	38.1	39.1	3.1
Eur Income B2	OT	OT	LUX	12/29	EUR	11.97	38.7	39.0	3.1
Eur Income B2	OT	OT	LUX	12/29	USD	17.18	38.7	39.0	3.1
Eur Income BT	EU	BD	LUX	12/29	EUR	6.62	38.8	39.0	3.1
Eur Income C	OT	OT	LUX	12/29	EUR	6.60	38.4	39.4	3.4
Eur Income C	OT	OT	LUX	12/29	USD	9.47	38.4	39.4	3.4
Eur Income C2	OT	OT	LUX	12/29	EUR	12.83	39.2	39.5	3.4
Eur Income C2	OT	OT	LUX	12/29	USD	18.41	39.2	39.5	3.4
Eur Income I	OT	OT	LUX	12/29	EUR	6.60	39.5	40.7	4.4
Eur Income I	OT	OT	LUX	12/29	USD	9.47	39.5	40.7	4.4
Eur Strat Value A	OT	OT	LUX	12/29	EUR	8.52	22.4	25.5	-21.8
Eur Strat Value A	OT	OT	LUX	12/29	USD	12.23	22.4	25.5	-21.8
Eur Strat Value I	OT	OT	LUX	12/29	EUR	8.73	23.5	26.7	-21.1
Eur Strat Value I	OT	OT	LUX	12/29	USD	12.53	23.5	26.7	-21.1
Eur Value A	OT	OT	LUX	12/29	EUR	9.20	26.4	29.6	-18.6
Eur Value A	OT	OT	LUX	12/29	USD	13.20	26.4	29.6	-18.6
Eur Value B	OT	OT	LUX	12/29	USD	12.14	25.0	28.2	-19.4
Eur Value B	OT	OT	LUX	12/29	EUR	8.46	25.0	28.2	-19.4
Eur Value C	OT	OT	LUX	12/29	USD	12.76	25.6	28.8	-19.0
Eur Value C	OT	OT	LUX	12/29	EUR	8.89	25.6	28.8	-19.0
Eur Value I	OT	OT	LUX	12/29	USD	15.24	27.2	30.5	-18.0
Eur Value I	OT	OT	LUX	12/29	EUR	10.62	27.2	30.5	-18.0
GI Balanced (Euro) A	OT	OT	LUX	12/29	USD	16.52	21.4	23.8	-11.2
GI Balanced (Euro) B	OT	OT	LUX	12/29	USD	16.09	20.2	22.4	-12.1
GI Balanced (Euro) C	OT	OT	LUX	12/29	USD	16.39	21.1	23.3	-11.5
GI Balanced (Euro) I	OT	OT	LUX	12/29	USD	16.82	NS	NS	NS
GI Balanced A	US	BA	LUX	12/29	USD	16.55	24.5	26.8	-10.7
GI Balanced B	US	BA	LUX	12/29	USD	15.74	23.4	25.5	-11.6
GI Balanced C	OT	OT	LUX	12/29	USD	16.30	24.1	26.4	-11.0
GI Balanced C	OT	OT	LUX	12/29	EUR	11.36	24.1	26.4	-11.0
GI Balanced I	US	BA	LUX	12/29	USD	17.16	25.3	27.7	-10.1
GI Bond A	US	BD	LUX	12/29	USD	9.25	12.4	12.8	4.5
GI Bond A2	US	BD	LUX	12/29	USD	16.02	12.7	12.8	4.5
GI Bond A2	OT	OT	NA	12/29	HKD	124.24	12.7	12.8	4.5
GI Bond AT	OT	OT	LUX	12/29	HKD	71.81	12.8	12.8	4.5
GI Bond AT	US	BD	LUX	12/29	USD	9.26	12.8	12.8	4.5
GI Bond B	US	BD	LUX	12/29	USD	9.25	11.4	11.7	3.5
GI Bond B2	US	BD	LUX	12/29	USD	14.03	11.6	11.6	3.4
GI Bond B2	OT	OT	NA	12/29	HKD	108.81	11.6	11.6	3.4
GI Bond BT	OT	OT	LUX	12/29	HKD	72.05	11.6	11.7	3.5
GI Bond BT	US	BD	LUX	12/29	USD	9.29	11.6	11.7	3.5
GI Bond C	US	BD	LUX	12/29	USD	9.25	11.9	12.3	4.0
GI Bond C2	US	BD	LUX	12/29	USD	13.90	12.2	12.3	4.0
GI Bond I	US	BD	LUX	12/29	USD	9.25	12.9	13.4	5.1
GI Conservative A	US	BA	LUX	12/29	USD	14.91	15.7	16.8	-4.4
GI Conservative A2	US	BA	LUX	12/29	USD	16.97	16.4	17.5	-4.1
GI Conservative B	US	BA	LUX	12/29	USD	14.90	14.9	15.9	-5.2
GI Conservative B2	US	BA	LUX	12/29	USD	16.12	15.2	16.3	-5.0
GI Conservative C	US	BA	LUX	12/29	USD	14.90	15.3	16.4	-4.7
GI Conservative C2	US	BA	LUX	12/29	USD	16.60	15.9	17.0	-4.5
GI Conservative I	US	BA	LUX	12/29	USD	14.97	16.5	17.6	-3.7
GI Eq Blend A	GL	EQ	LUX	12/29	USD	11.74	31.3	35.4	-21.2
GI Eq Blend B	GL	EQ	LUX	12/29	USD	11.02	30.1	34.1	-21.9
GI Eq Blend C	GL	EQ	LUX	12/29	USD	11.53	30.7	34.7	-21.5
GI Eq Blend I	GL	EQ	LUX	12/29	USD	12.38	32.4	36.3	-20.5
GI Growth A	GL	EQ	LUX	12/29	USD	42.15	30.7	34.7	-22.1
GI Growth B	GL	EQ	LUX	12/29	USD	35.19	29.4	33.3	-22.9
GI Growth C	GL	EQ	LUX	12/29	USD	40.45	30.1	34.1	-22.5
GI Growth I	GL	EQ	LUX	12/29	USD	46.81	31.8	35.8	-21.5
GI High Yield A	US	BD	LUX	12/29	USD	4.32	59.2	61.8	4.1
GI High Yield A2	US	BD	LUX	12/29	USD	9.24	60.4	61.8	4.1
GI High Yield A2	OT	OT	NA	12/29	HKD	71.66	60.4	61.8	4.1
GI High Yield AT	OT	OT	NA	12/29	HKD	33.35	60.6	61.6	4.1
GI High Yield AT	US	BD	LUX	12/29	USD	4.30	60.6	61.6	4.1
GI High Yield B	US	BD	LUX	12/29	USD	4.32	57.3	59.7	2.9
GI High Yield B2	US	BD	LUX	12/29	USD	14.86	58.9	60.3	3.1
GI High Yield B2	OT	OT	NA	12/29	HKD	115.24	58.9	60.3	3.1
GI High Yield BT	OT	OT	NA	12/29	HKD	33.89	58.5	59.9	3.0
GI High Yield BT	US	BD	LUX	12/29	USD	4.37	58.5	59.9	3.0
GI High Yield C	US	BD	LUX	12/29	USD	4.32	58.3	60.9	3.6
GI High Yield C2	US	BD	LUX	12/29	USD	13.70	59.9	61.2	3.7
GI High Yield I	US	BD	LUX	12/29	USD	4.32	60.2	63.0	4.8
GI Thematic Res. A	OT	OT	LUX	12/29	USD	14.81	69.3	74.9	-3.9
GI Thematic Res. B	OT	OT	LUX	12/29	USD	12.95	67.5	73.1	-4.8
GI Thematic Res. I	OT	OT	LUX	12/29	USD	16.51	70.6	76.2	-3.1
GI Value A	GL	EQ	LUX	12/29	USD	11.22	32.2	36.2	-20.2
GI Value B	GL	EQ	LUX	12/29	USD	10.31	30.8	34.8	-21.0
GI Value C	GL	EQ	LUX	12/29	USD	10.90	31.5	35.4	-20.6
GI Value I	GL	EQ	LUX	12/29	USD	11.93	33.1	37.1	-19.6
Greater China A	AS	EQ	LUX	12/29	USD	39.68	54.7	58.7	-17.1
Greater China B	AS	EQ	LUX	12/29	USD	35.12	53.2	57.1	-17.9
Greater China C	AS	EQ	LUX	12/29	USD	39.18	54.0	58.0	-17.5
India Growth A	OT	OT	LUX	12/29	USD	126.11	NS	NS	NS
India Growth AX	OT	OT	LUX	12/29	USD	110.24	90.8	90.8	-10.3
India Growth B	OT	OT	LUX	12/29	USD	132.12	NS	NS	NS
India Growth BX	OT	OT	LUX	12/29	USD	94.23	89.0	89.0	-11.2
India Growth I	EA	EQ	LUX	12/29	USD	114.23	91.6	91.6	-10.0
Int'l Health Care A	OT	EQ	LUX	12/29	USD	138.71	18.1	20.7	-8.4
Int'l Health Care B	OT	EQ	LUX	12/29	USD	117.01	17.0	19.5	-9.3
Int'l Health Care C	OT	EQ	LUX	12/29	USD	132.94	17.6	20.2	-8.8
Int'l Health Care I	OT	EQ	LUX	12/29	USD	151.55	19.1	21.7	-7.7
Int'l Technology A	OT	EQ	LUX	12/29	USD	110.81	51.5	56.4	-12.1
Int'l Technology B	OT	EQ	LUX	12/29	USD	96.03	50.0	54.9	-12.9
Int'l Technology C	OT	EQ	LUX	12/29	USD	107.09	50.8	55.8	-12.4
Int'l Technology I	OT	EQ	LUX	12/29	USD	124.25	52.7	57.7	-11.3
Japan Eq Blend A	JP	EQ	LUX	12/29	JPY	6086.00	13.4	16.3	-22.3
Japan Eq Blend B	JP	EQ	LUX	12/29	JPY	5873.00	12.3	15.1	-23.1
Japan Eq Blend C	JP	EQ	LUX	12/29	JPY	5989.00	12.9	15.7	-22.7
Japan Growth A	JP	EQ	LUX	12/29	JPY	5930.00	6.6	9.1	-23.0
Japan Growth B	JP	EQ	LUX	12/29	JPY	5722.00	5.6	8.0	-23.8
Japan Growth C	JP	EQ	LUX	12/29	JPY	5836.00	6.1	8.6	-23.3
Japan Strat Value A	JP	EQ	LUX	12/29	JPY	6183.00	19.9	23.1	-22.1
Japan Strat Value B	JP	EQ	LUX	12/29	JPY	5973.00	18.7	21.9	-22.9
Japan Strat Value C	JP	EQ	LUX	12/29	JPY	6080.00	19.3	22.6	-22.5
Real Estate Sec. A	OT	EQ	LUX	12/29	USD	14.36	34.6	40.2	-14.9
Real Estate Sec. B	OT	EQ	LUX	12/29	USD	13.13	33.3	38.8	-15.8
Real Estate Sec. I	OT	EQ	LUX	12/29	USD	15.43	35.6	41.3	-14.2
Short Mat Dollar A	US	BD	LUX	12/29	USD	7.26	11.2	11.8	-5.9
Short Mat Dollar A2	US	BD	LUX	12/29	USD	9.78	11.6	11.8	-5.9
Short Mat Dollar AT	US	BD	LUX	12/29	USD	7.26	11.6	11.9	-6.0
Short Mat Dollar B	US	BD	LUX	12/29	USD	7.26	10.8	11.3	-6.3
Short Mat Dollar B2	US	BD	LUX	12/29	USD	9.73	11.1	11.3	-6.4
Short Mat Dollar BT	OT	OT	LUX	12/29	USD	7.28	10.4	10.6	-6.6
Short Mat Dollar C	US	BD	LUX	12/29	USD	7.26	10.8	11.3	-6.3
Short Mat Dollar C2	US	BD	LUX	12/29	USD	13.76	11.1	11.3	-6.3
Short Mat Dollar I	US	BD	LUX	12/29	USD	7.26	11.8	12.5	-5.3

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
ALEXANDRA INVESTMENT MANAGEMENT									
Tel: +1 212 301 1800 Fax: +1 212 301 1810									
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	11/30	USD	1616.75	66.9	72.1	NS
CREDIT PACIFIC ASSET MANAGMENT									
www.creditpacific.com									
CPS-Master Priv Fund	GL	OT	WSM	12/28	USD	121.52	21.5	21.5	20.8
PLATINUM CAPITAL MANAGEMENT									
Tel: +44 207 024 9840, www.platinumfunds.net									
Platinm-All Star	OT	OT	CYM	10/30	USD	95.07	13.2	5.7	-13.4
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	10/30	USD	108.45	5.5	2.5	-34.0
Platinm-Emancipation	OT	OT	USA	10/30	USD	93.58	25.0	9.3	-11.3
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	10/30	USD	60.64	29.4	15.3	-31.8
Platinm-Nordic	OT	OT	CYM	10/30	SEK	607.79	11.4	9.7	-18.3
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	10/30	USD	56.60	NS	NS	-38.7
SUPERFUND ASSET MANAGEMENT GMBH									
For info about open funds, contact info@superfund.com and www.superfund.com									
**Closed for New Investments*									
Superfund Cayman*	OT	OT	CYM	12/22	USD	40.63	-51.2	-50.9	-5.6
Superfund GCT USD*	GL	EQ	LUX	12/22	USD	2151.00	-41.1	-40.9	-3.8
Superfund Green Gold A (SPC)	OT	OT	CYM	12/22	USD	941.52	-19.0	-15.3	7.4
Superfund Green Gold B (SPC)	OT	OT	CYM	12/22	USD	897.74	-33.4	-30.3	3.1
Superfund Q-A6*	OT	OT	AUT	12/22	EUR	6491.00	-25.9	-25.8	1.7
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Winton Evolution EUR Cls H	OT	OT	CYM	11/30	EUR	972.73	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	11/30	GBP	976.73	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	11/30	USD	1232.74	-2.8	-1.2	3.7
Winton Futures EUR Cls C	OT	OT	VGB	11/30	EUR	202.11	-1.8	-0.1	9.2
Winton Futures GBP Cls D	OT	OT	VGB	11/30	GBP	218.35	-1.6	0.4	10.2
Winton Futures JPY Cls E	OT	OT	VGB	11/30	JPY	14398.02	-2.4	-0.4	6.9
Winton Futures USD Cls B	OT	OT	VGB	11/30	USD	716.94	-2.2	-0.2	8.9

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

U.S. stocks stall; Europe shares fall

By Kristina Peterson And Donna Kardos Yesalavich

U.S. stocks traded near the flatline as data on manufacturing activity and oil inventories came in mixed and the dollar strengthened.

In midday trading Wednesday, the Dow Jones Industrial Average was up three points to 10548. **Microsoft** was the average's worst performer, off 1.4%. Several financial components also were weak, including **Bank of America** and **American Express**. Bank of America fell 0.7% and American Express declined 1%.

ABREAST OF THE MARKET

The technology-heavy Nasdaq Composite Index and the Standard & Poor's 500-stock index each fell less than one point.

Energy companies were laggards as traders weighed mixed oil inventory reports. U.S. crude inventories fell for a fourth week in a row last week and by slightly less than analysts expected, according to data from the U.S. Department of Energy. But after the market closed Tuesday, the American Petroleum Institute reported a 1.7-million-barrel rise in U.S. oil inventories in the week ended Dec. 25.

The price of oil pushed past $79 a barrel.

The financial sector's decliners followed a Wall Street Journal report on **GMAC Financial Services** that reminded investors that the sector remains troubled. The Journal report said GMAC is close to getting $3.5 billion in fresh government aid, on top of the $12.5 billion it already has received.

The dollar strengthened against both the euro and the yen.

Early losses were checked after data on Chicago-area manufacturing came in better than expected.

Aetna shares fell 2.2% after the health insurer said it will take a fourth-quarter charge of about $60 to $65 million.

European stocks

Shares fell a day after setting 14-month highs.

The Dow Jones Stoxx 600 index fell 0.4% to close at 253.16. On Tuesday, the index closed at the highest point since October 2008.

Basilea shares tumbled nearly 15% after the company, which holds the patent on ceftobiprole, said the U.S. Food and Drug Administration had rejected **Johnson & Johnson**'s application to market the drug.

Bank stocks were mostly lower, with **Bank of Ireland** down 1% in Dublin and **Royal Bank of Scotland Group** shedding 3.2% in London.

Mining stocks also fell, with **Rio Tinto** off 1.4% and **Anglo American** down 1.2%.

The German DAX 30 index declined 0.9% to 5957.43. The French CAC 40 index shed 0.6% to 3935.50. The U.K.'s FTSE 100 index declined 0.7% to 5397.86.

Japanese debt gains in price as stocks fall

By Megumi Fujikawa

TOKYO—Japanese government-bond prices finished higher on the last trading day of the year, as the domestic market followed overnight strength in U.S. Treasury debt and weakness in Tokyo stocks prompted demand for risk-free assets.

Moving into the new year, the yield curve on Japanese government debt—the difference in yields between short- and longer-dated securities—"will likely maintain the current steep incline overall without any sharp selloff," said Makoto Yamashita, a strategist at Deutsche Securities.

BOND MARKETS

The yield on benchmark 10-year government debt is expected to move between 1.25% and 1.35% until Jan. 8, Mr. Yamashita said.

On Wednesday, the benchmark 10-year yield fell 0.005 percentage point to 1.290%, well above the low for the year of 1.185% on Jan. 5, the first trading day of 2009.

The 10-year yield rose above the 1.4% level in late October through early November on concern over a potential oversupply of debt, but it has remained at relatively low levels throughout the year as the Bank of Japan has taken steps to ease monetary policy.

The yield on two-year debt fell 0.005 percentage point on Wednesday to 0.145%, its lowest point since September 2005.

JAL bankruptcy fears weigh on Tokyo shares

By Myra P. Saefong And Leslie Shaffer

Tokyo stocks fell on the last trading session of 2009, dragged down by year-end profit-taking and a 24% plunge in **Japan Airlines** on concerns the company might file for bankruptcy protection.

ASIAN-PACIFIC STOCKS

The Nikkei Stock Average of 225 companies fell 91.62 points, or 0.86%, to 10546.44. The move left the benchmark up 19% on the year but still well below the record close of 38915.87, hit on Dec. 29, 1989.

JAL, its big lenders and a quasigovernment investment fund are studying a bankruptcy filing, among other options, in case JAL's retirees don't accept a proposed cut in pension allowances, a person familiar with the matter said.

Japan's transport minister said Wednesday the government may have the state-backed Development Bank of Japan lend more to the troubled airline. JAL obtained a credit line in November of as much as 100 billion yen ($1.1 billion) from the Development Bank, part of the 125 billion yen it says it needs for the fiscal year ending in March.

"Whether the rehabilitation will be court-led or out-of-court is the biggest question, as that would likely determine whether existing shareholders' rights will be protected," said SMBC Friend Research Center analyst Mitsuru Miyazaki

Losses in JAL outweighed the government's release of a draft mid-to-long-term economic growth strategy that aims for average annual inflation-adjusted expansion of more than 2% in the next 10 years.

In China, the Shanghai Composite was the Asian-Pacific region's biggest advancer, tacking on 50.84 points, or 1.6%, to 3262.60. Banks rose on expectations that new yuan loans in December likely exceeded 300 billion yuan ($43.9 billion), up from November's 295 billion yuan. **China Citic Bank** advanced 5.9%, **China Merchants Bank** tacked on 5% and **Bank of China** rose 2.1%.

Insurers rose after a state-run newspaper report cited Ministry of Finance officials and the insurance regulator as saying a change in accounting rules will boost insurers' 2009 net profit. **China Pacific Insurance** advanced 3.9%, **Ping An** rose 4.3% and **China Life** rose 3.6%.

In South Korea, the Kospi index rose 10.29 points, or 0.6%, to 1682.77. Shares of affiliates of **Kumho Asiana Group** sank after the group said it was in talks with creditors to place two units, **Kumho Tire** and **Kumho Industrial**, under a debt-workout program. Kumho Tire said Tuesday it would delay paying December salaries because of a cash shortage related to debt payments.

Kumho Tire sank 15% and Kumho Industrial fell 15%. Among other affiliates, **Kumho Petrochemical** shed 6.4% and **Asiana Airlines** fell 6.9%. **Woori Finance Holdings**, one of Kumho Asiana's largest creditors, fell 4.2%.

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Allianz Global Investors

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Concentra AE	EU	EQ	DEU	12/30	EUR	52.17	34.2	34.2	-12.0
Industria AE	EU	EQ	DEU	12/30	EUR	71.52	36.7	36.7	-17.2
InternRent AE	EU	BD	DEU	12/30	EUR	35.22	3.7	3.7	10.0

■ CHARTERED ASSET MANAGEMENT PTE LTD - TEL NO: 65-6835-8866

Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg

CAM-GTF Limited	AS	EQ	MUS	12/18	USD	265704.36	97.0	101.9	0.9

GAM

■ GAM FUND MANAGEMENT LIMITED

George's Court, 54-62 Townsend Street, Dublin 2, Ireland

Tel +353 1 609 3927 Fax +353 1 611 7941, Internet: www.gam.com

GAM Arbitrage Op	OT	OT	VGB	12/18	USD	1251.05	23.4	20.3	-8.5
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	12/21	JPY	14426.01	53.9	55.4	-1.5
GAM Asia Equity Hedge US	OT	OT	VGB	12/21	USD	272.38	56.1	63.0	0.5
GAM Asia Equity USD	OT	OT	VGB	12/29	USD	644.13	60.5	64.7	-13.6
GAM Asia-Pacific Eq USD	OT	OT	VGB	12/29	USD	1291.65	20.2	24.0	-15.5
GAM Com Glb Bal EUR Op	US	BA	VGB	12/14	EUR	93.10	14.7	17.0	-9.9
GAM Com Glb Bal USD Op	US	BA	VGB	12/14	USD	127.31	14.7	17.0	-9.9
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	12/14	EUR	95.07	21.3	24.9	-17.2
GAM Comp Glb Eq USD Op	GL	EQ	VGB	12/14	USD	126.70	21.3	24.9	-17.2
GAM Comp Glb Gr EUR Op	US	BA	VGB	12/14	EUR	83.88	15.0	17.9	-14.3
GAM Comp Glb Gr USD Op	US	BA	VGB	12/14	USD	126.34	15.0	17.9	-14.3
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	12/18	USD	244.86	34.4	41.2	-12.4
GAM Cross Trading Inc	OT	OT	VGB	12/14	USD	464.04	6.1	NS	NS
GAM Diversity CHF Op	OT	OT	VGB	12/14	CHF	94.54	4.5	3.8	-6.9
GAM Diversity EUR Op	OT	OT	VGB	12/14	EUR	649.99	5.3	4.9	-5.3
GAM Diversity USD 2.5XL	OT	OT	VGB	12/14	USD	78.80	9.2	8.2	NS
GAM Diversity USD Op	OT	OT	VGB	12/14	USD	682.53	5.3	NS	NS
GAM Dvrsty II CHF Op	OT	OT	VGB	12/14	CHF	99.84	4.4	NS	NS
GAM Dvrsty II EUR Op	OT	OT	VGB	12/14	EUR	139.19	4.9	4.1	-5.4
GAM Dvrsty II USD Op	OT	OT	VGB	12/14	USD	210.84	4.9	NS	-5.6
GAM DvrstyIII EUR Op	OT	OT	VGB	12/14	EUR	115.92	4.9	4.1	-5.5
GAM DvrstyIII USD Op	OT	OT	VGB	12/14	USD	122.37	4.9	4.1	-5.6
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	12/21	EUR	216.48	9.8	12.0	-4.9
GAM Euro Eq Hdg USD Op	OT	OT	VGB	12/21	USD	201.25	10.5	12.3	-3.3
GAM European Equity USD	OT	OT	VGB	12/29	USD	296.17	25.5	29.6	-13.8
GAM GAMCO	OT	EQ	VGB	12/22	USD	810.11	39.6	40.1	-10.6
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	12/21	EUR	97.09	12.5	11.4	-16.7
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	12/21	USD	102.38	13.1	11.8	-16.0
GAM Gbl Divers USD Inc.	GL	EQ	VGB	12/29	USD	253.09	22.2	26.5	-7.5
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	12/21	USD	266.36	86.5	93.0	18.3
GAM Intrst Trend II	GL	BD	VGB	12/21	USD	93.17	41.0	35.0	-9.1
GAM Intrst Trend Inc	OT	OT	VGB	12/21	USD	249.49	56.6	51.6	-7.3
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	12/21	EUR	115.80	8.4	10.2	-7.9
GAM Japan Eq Hdg USD Op	OT	OT	VGB	12/21	USD	120.39	7.1	NS	-19.9
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	12/21	JPY	8288.45	7.4	10.7	-19.1
GAM Japan USD	JP	EQ	VGB	12/29	USD	1116.59	7.9	8.6	-15.6
GAM Japan YEN	JP	EQ	VGB	12/29	JPY	8890.89	11.0	11.7	-22.8
GAM Money Mkt EuroOp	EU	MM	VGB	12/24	EUR	51.20	0.1	0.2	1.7
GAM Money Mkt USD	US	MM	VGB	12/24	USD	99.91	-0.1	-0.1	0.8
GAM Multi-Arb EUR Op	OT	OT	VGB	12/14	EUR	113.29	1.1	-0.9	-8.6
GAM Multi-Arb USD Op	OT	OT	VGB	12/14	USD	118.28	1.3	-0.8	-8.8
GAM Multi-China EUR Op	OT	OT	VGB	12/14	EUR	167.99	13.1	13.0	-8.8
GAM Multi-China USD Op	OT	OT	VGB	12/14	USD	176.61	13.7	13.6	-9.4
GAM Multi-Emer Mkts GBP	OT	OT	VGB	12/14	GBP	130.34	24.6	23.9	-3.0
GAM Multi-Emer Mkts USD	OT	OT	VGB	12/14	USD	645.36	24.6	23.9	-3.4
GAM Multi-Eur EUR Op	OT	OT	VGB	12/14	EUR	267.99	6.8	6.0	-10.3
GAM Multi-Eur II EUR Op	OT	OT	VGB	12/14	EUR	137.89	6.7	8.6	-10.3
GAM Multi-Eur II USD Op	OT	OT	VGB	12/14	USD	112.76	6.3	8.2	-11.3
GAM Multi-Eur USD Op	OT	OT	VGB	12/14	USD	466.44	6.4	5.6	-11.2
GAM Multi-Nth Am EUR Special	OT	OT	VGB	12/14	EUR	132.77	11.4	12.3	NS
GAM Multi-Nth Am USD Special	OT	OT	VGB	12/14	USD	216.31	11.8	13.0	NS
GAM Multi-Pac EUR Op	GL	EQ	VGB	12/14	EUR	142.45	4.5	4.1	-4.8
GAM Multi-Pac USD Op	OT	OT	VGB	12/14	USD	164.43	4.6	4.4	-5.2
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	12/18	USD	2595.04	66.8	67.3	10.6
GAM Sing/Malaysia	AS	EQ	VGB	12/29	USD	2538.08	52.8	54.5	-10.7
GAM Sterling Spe Bd Inc	OT	OT	VGB	12/21	GBP	243.56	41.0	41.8	2.4
GAM Trading EUR Inc	OT	OT	VGB	12/14	EUR	323.84	5.9	5.4	6.8
GAM Trading USD Inc	OT	OT	VGB	12/14	USD	969.19	6.1	5.7	6.3
GAM Trdg II IncEUR Op	OT	OT	VGB	12/14	EUR	138.52	5.8	5.3	6.8
GAM Trdg II IncUSD Op	OT	OT	VGB	12/14	USD	314.69	6.1	5.7	6.3
GAM Trdg IV IncEUR Op	OT	OT	VGB	12/14	EUR	146.18	5.6	5.0	6.5
GAM Trdg IV IncUSD Op	OT	OT	VGB	12/14	USD	153.91	5.9	5.4	6.2
GAM Trdg V IncEUR Op	OT	OT	VGB	12/14	EUR	123.94	5.6	4.9	6.3
GAM Trdg V IncUSD Op	OT	OT	VGB	12/14	USD	129.08	5.8	5.4	6.1
GAM TrdgIII IncEUR Op	OT	OT	VGB	12/14	EUR	156.35	5.7	5.2	6.5
GAM TrdgIII IncUSD Op	OT	OT	VGB	12/14	USD	161.86	5.9	5.5	6.2
GAM USDSpecBondInc	US	BD	VGB	12/21	USD	523.82	72.3	75.8	6.1
GAM Worldwide	GL	EQ	VGB	12/29	USD	2259.87	25.1	29.3	-10.0
GAMut Investments	OT	OT	VGB	12/16	USD	7573.04	4.3	5.1	7.7

■ GAM Star Fund Plc

GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	12/29	CHF	10.85	53.0	57.8	-18.0
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	12/29	EUR	11.68	55.4	61.8	-12.5
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	12/29	GBP	1.57	46.8	53.5	-2.6
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	12/29	USD	13.17	60.3	66.4	-12.3
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	12/29	EUR	101.39	16.8	19.0	-14.7
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	12/29	EUR	98.12	16.8	19.0	-14.7
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	12/29	EUR	11.07	24.4	27.6	-11.4
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	12/29	EUR	182.72	23.6	27.9	-14.1
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	12/29	EUR	166.96	23.6	27.9	-14.1
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	12/29	USD	15.98	27.2	31.4	-13.9
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	12/29	USD	14.49	27.2	31.3	-13.9
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	12/24	USD	5.55	17.9	20.4	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	12/29	EUR	89.03	7.0	8.9	-13.5
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	12/29	EUR	89.03	7.0	8.9	-13.5
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	12/29	JPY	927.76	7.6	11.5	-23.5
GAMStar-JpnEq USD Acc	JP	EQ	IRL	12/29	USD	11.26	4.4	7.0	-16.0
GAMStar-World EqUSD Acc	GL	EQ	IRL	12/29	USD	2237.69	27.1	30.5	-9.7

Manulife Wealth Management 宏利財富管理

■ MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110

Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong

American Growth	US	EQ	LUX	12/30	USD	15.26	27.5	30.3	-12.7
American Growth AA	US	EQ	LUX	12/30	USD	0.88	27.2	30.0	-6.1
Asian Equity	AS	EQ	LUX	12/30	USD	2.43	61.3	63.8	-10.6
Asian Equity AA	AS	EQ	LUX	12/30	USD	0.78	60.7	63.1	-10.9
Asian Sm Cap Equity AA	AS	EQ	LUX	12/30	USD	1.15	89.2	91.1	-7.0
China Value A	AS	EQ	LUX	12/30	USD	7.00	62.0	64.9	-7.7
China Value AA	AS	EQ	LUX	12/30	USD	2.20	61.6	64.4	-7.9
Dragon Growth	AS	EQ	LUX	12/30	USD	1.62	64.8	65.6	-10.2
Dragon Growth AA	OT	OT	LUX	12/30	HKD	7.87	64.7	65.4	-11.3
Emg Eastrn Europe A	EU	EQ	LUX	12/30	USD	4.51	93.0	89.5	-19.7
Emg Eastrn Europe AA	EU	EQ	LUX	12/30	USD	1.94	92.8	89.2	-19.7
European Growth	EU	EQ	LUX	12/30	USD	9.04	42.7	43.8	-18.4
European Growth AA	EU	EQ	LUX	12/30	USD	0.65	42.3	43.4	-18.6
Global Contrarain AA	GL	EQ	LUX	12/30	USD	0.88	83.9	90.3	NS
Global Property AA	OT	EQ	LUX	12/30	USD	0.67	47.3	46.8	-13.6
Global Resources AA	OT	EQ	LUX	12/30	USD	1.08	55.6	63.0	-11.7
Healthcare AA	OT	EQ	LUX	12/30	USD	0.94	14.8	15.8	NS
India Equity AA	EA	EQ	LUX	12/30	USD	1.09	79.6	80.4	-19.1
International Growth	GL	EQ	LUX	12/30	USD	3.03	22.7	24.4	-15.9
International Growth AA	GL	EQ	LUX	12/30	USD	0.70	22.4	24.1	-16.1
Japanese Growth	JP	EQ	LUX	12/30	USD	2.76	8.1	7.9	-12.8
Japanese Growth AA	JP	EQ	LUX	12/30	USD	0.72	7.8	7.6	-13.0
Latin America Equity AA	GL	EQ	LUX	12/30	USD	1.28	104.9	107.1	-4.9
Manulife GF Strategic Income Fund AA	OT	OT	NA	12/30	USD	1.00	NS	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	12/30	USD	1.13	NS	NS	NS
Russia Equity AA	EE	EQ	LUX	12/30	USD	0.63	133.7	127.5	-22.7
Taiwan Equity AA	AS	EQ	LUX	12/30	USD	1.07	81.4	90.1	0.8
Turkey Equity AA	EE	EQ	LUX	12/30	USD	0.74	102.6	98.6	-15.3
U.S. Bond AA	US	BD	LUX	12/30	USD	1.11	17.4	17.8	7.4
U.S. Sm Cap Equity AA	US	EQ	LUX	12/30	USD	0.82	71.0	72.5	-13.9
U.S. Special Opportunities	OT	OT	LUX	12/30	USD	0.81	81.5	83.5	0.3
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	12/30	USD	1.14	7.1	7.0	3.1

■ PT CIPTADANA ASSET MANAGEMENT

Tel: +62 21 25574 883 Fax: +62 21 25574 893 Website: www.ciptadana.com

Indonesian Grth Fund	EA	EQ	CYM	12/23	USD	123.61	114.3	105.0	-2.6

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A Value Partners Group company

■ SENSIBLE ASSET MANAGEMENT LIMITED

www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948

Asia Value Formula Fd-B	AS	EQ	CYM	12/28	USD	7.95	85.3	90.6	-7.0

SOCIETE GENERALE Asset Management

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Eq. Concentrated Euroland A	OT	OT	LUX	12/29	EUR	93.98	23.4	25.5	-19.4
Eq. Euroland Small Cap A	OT	OT	LUX	12/29	EUR	141.01	42.3	45.1	-12.5
Eq. Global Resources A	OT	OT	LUX	12/29	USD	109.46	56.1	57.6	-10.4
Eq. India A	OT	OT	LUX	12/29	USD	129.78	78.6	80.2	-19.1
Eq. Japan CoreAlpha A	OT	OT	LUX	12/29	JPY	7313.41	24.3	25.3	-13.1
Eq. Latin America A	OT	OT	LUX	12/28	USD	115.80	86.0	90.7	-11.0

■ SGAM Fund

Bonds Eur Hi Yld A	OT	OT	LUX	12/28	EUR	20.54	54.5	56.2	-1.5
Bonds EURO A	OT	OT	LUX	12/29	EUR	41.09	4.1	3.8	5.6
Bonds EUROPE A	OT	OT	LUX	12/29	EUR	39.01	3.0	2.9	4.7
Bonds US OppsCoreplus A	OT	OT	LUX	12/28	USD	36.93	17.1	18.5	8.7
Bonds World A	OT	OT	LUX	12/28	USD	42.21	6.0	6.0	7.2
Eq. China A	AS	EQ	LUX	12/29	USD	23.70	58.6	60.3	-14.8
Eq. ConcentratedEuropeA	EU	EQ	LUX	12/29	EUR	27.06	31.3	33.9	-18.0
Eq. Euroland A	EU	EQ	LUX	12/29	EUR	10.89	18.8	21.2	-20.5
Eq. EurolandCyclclsA	EU	EQ	LUX	12/29	EUR	17.88	30.2	33.1	-15.9
Eq. EurolandFinancialA	OT	EQ	LUX	12/28	EUR	11.38	35.0	38.9	-21.7
Eq. Glbl Emg Cty A	GL	EQ	LUX	12/29	USD	9.55	59.7	63.7	-16.0
Eq. Global A	GL	EQ	LUX	12/29	USD	28.02	33.2	35.9	-14.5
Eq. Global Energy A	OT	EQ	LUX	12/29	USD	18.24	28.0	31.1	-14.8
Eq. Gold Mines A	OT	EQ	LUX	12/28	USD	30.74	47.0	58.8	2.5
Eq. US Lg Cap Gr A	US	EQ	LUX	12/29	USD	15.40	42.8	46.9	-12.8
Eq. US Rel Val A	US	EQ	LUX	12/28	USD	20.80	33.9	40.7	-15.1
Eq. US Sm Cap Val A	US	EQ	LUX	12/29	USD	16.13	24.6	33.7	-19.9
Money Market EURO A	EU	MM	LUX	12/28	EUR	27.39	1.0	1.0	2.6
Money Market USD A	US	MM	LUX	12/29	USD	15.83	0.5	0.6	1.7

المستثمر الوطني The National Investor

■ THE NATIONAL INVESTOR

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TNI Mena Real Estate Fund	OT	OT	BMU	12/24	USD	966.38	2.8	-1.4	-26.9
TNI MENA Special Sits Fund	OT	OT	BMU	11/30	USD	1070.31	10.2	10.3	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	12/24	AED	5.22	13.7	1.5	-32.2

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**formerly known as China ABH Shares Fund*

Intel-Chin MainInd Foc	AS	EQ	CYM	12/15	USD	29.84	86.0	90.8	0.9
Intel-China Converg*	AS	EQ	CYM	12/15	USD	114.29	87.6	93.1	-0.6
VP Classic - A	AS	EQ	CYM	12/29	USD	183.78	80.3	86.1	-3.1
VP CLassic - B	AS	EQ	CYM	12/29	USD	85.66	79.4	85.2	-3.6
VP High Dividend Stk	AS	EQ	CYM	12/28	USD	45.43	82.8	81.4	-0.8

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■ YUKI INTERNATIONAL LIMITED

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■ YMR-N Series

YMR-N Growth Fund	OT	OT	IRL	12/30	JPY	9458.00	9.8	12.4	-24.7
YMR-N Small Cap Fund	OT	OT	IRL	12/24	JPY	6980.00	8.8	13.4	-24.8

■ Yuki 77 Series

Yuki 77 General	JP	EQ	IRL	12/30	JPY	6151.00	4.5	7.8	-26.5
Yuki 77 Growth	JP	EQ	IRL	12/30	JPY	5642.00	-4.5	-2.5	-32.0

■ Yuki Chugoku Series

Yuki Chugoku Jpn Gen	JP	EQ	IRL	12/30	JPY	6827.00	9.8	13.6	-23.2
Yuki Chugoku JpnLowP	JP	EQ	IRL	12/30	JPY	7541.00	-7.4	-4.4	-23.0

■ Yuki Hokuyo Japan Series

Yuki Hokuyo Jpn Gen	JP	EQ	IRL	12/30	JPY	4673.00	3.3	6.3	-26.7
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	12/30	JPY	5248.00	0.1	2.1	-20.3
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	12/30	JPY	5105.00	7.9	12.3	-22.8

■ Yuki Mizuho Series

Yuki Mizuho Gen Jpn III	OT	OT	IRL	12/30	JPY	4420.00	4.3	7.2	-30.6
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	12/30	JPY	4665.00	3.7	6.8	-30.4
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	12/30	JPY	6971.00	14.9	18.7	-24.8
Yuki Mizuho Jpn Gen	OT	OT	IRL	12/30	JPY	8616.00	8.0	11.6	-24.3
Yuki Mizuho Jpn Gro	OT	OT	IRL	12/30	JPY	6358.00	2.1	4.4	-27.8
Yuki Mizuho Jpn Inc	OT	OT	IRL	12/30	JPY	7634.00	-3.6	-1.0	-23.2
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	12/30	JPY	5189.00	4.8	7.8	-25.3
Yuki Mizuho Jpn LowP	OT	OT	IRL	12/30	JPY	11561.00	1.2	4.5	-20.1
Yuki Mizuho Jpn PGth	OT	OT	IRL	12/30	JPY	7960.00	4.2	7.3	-30.2
Yuki Mizuho Jpn SmCp	OT	OT	IRL	12/30	JPY	7137.00	16.5	21.5	-24.8
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	12/30	JPY	5648.00	8.9	12.0	-22.1
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	12/30	JPY	2726.00	13.7	17.3	-30.6

■ Yuki Shizuoka Japan Series

Yuki Shizuoka General Japan	JP	EQ	IRL	12/30	JPY	5421.00	6.9	10.6	-23.9

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE		
	Previous session	Year-to-date	52-week
Brazil	0.26%	**105.9%**	94.3%
Russia	0.03	**101.9**	101.9
Turkey	-0.32	**86.8**	86.8
China 88	2.28	**83.3**	83.3
Singapore	0.34	**65.2**	65.2
South Korea	0.62	**53.7**	53.7
Sweden	-0.53	**49.9**	49.9
Hong Kong	-0.19	**45.3**	45.3
Netherlands	-0.52	**40.6**	40.6
Australia	-0.19	**28.8**	28.8
Canada	0.29	**28.7**	28.7
Switzerland	-0.67	**25.9**	25.9
France	-0.24	**23.4**	23.4
Italy	-0.19	**22.8**	22.8
U.K.	-0.31	**21.8**	21.8
South Africa	-0.63	**21.2**	21.2
Germany	-0.90	**17.9**	17.9
Spain	-0.46	**17.5**	17.5
Japan	-0.75	**7.9**	7.9

Dow Jones Regional Sector Titans

Basic Res	-0.93%	**82.8%**	82.8%
Technology	0.29	**56.5**	56.5
Tiger 50*	0.37	**55.4**	55.4
Nordic 30 -p	0.71	**38.6**	38.7
EU Enlarged†-p	0.82	**33.9**	33.2
Asian 50	-0.70	**30.3**	30.3
Stoxx 50 -p	0.15	**24.5**	25.6
Euro Stoxx 50 -p	0.32	**22.2**	22.1
Global 50	-0.32	**21.2**	21.2
Arab 50	-0.41	**4.1**	4.1

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Wednesday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Hutchison Whampoa	Hong Kong	Diversified Industrials	$28.8	52.40	**2.54%**	34.9%	-35.8%
Samsung Elec	South Korea	Semiconductors	101.1	799,000	**1.65**	77.2	30.8
China Mobile (HK)	Hong Kong	Mobile Telecommunications	180.3	70.35	**1.01**	-9.6	-0.4
Taiwan Smcndtr Mfg	Taiwan	Semiconductors	51.4	63.90	**0.95**	44.6	-4.6
Nintendo	Japan	Toys	30.5	22,040	**0.69**	-34.7	-28.7
Japan Tobacco	Japan	Tobacco	$32.5	313,000	**-2.80%**	6.1	-45.6
Tokyo Elec Power	Japan	Conventional Electricity	34.1	2,335	**-1.89**	-22.2	-39.4
Kansai Elec Power	Japan	Conventional Electricity	21.7	2,100	**-1.87**	-19.2	-34.6
Nippon T&T	Japan	Fixed Line Telecommunications	52.2	3,650	**-1.62**	-22.0	-37.7
Nippon Steel	Japan	Iron Steel	25.5	375.00	**-1.57**	29.3	-45.2

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
QBE Ins Grp Australia (Reinsurance)	23.3	25.43	**0.67%**	-1.5%	-9.7%
POSCO South Korea (Iron Steel)	40.3	618,000	**0.65**	62.6	108.1
Cheung Kong Hong Kong (Real Estate Holding Development)	29.6	98.95	**0.35**	35.0	0.2
KB Fncl Group South Korea (Banks)	19.7	59,700	**0.34**	82.2	-14.6
RioZim Ltd Australia (General Mining)	40.4	74.64	**0.30**	148.9	26.9
Aus NZ Bk Australia (Banks)	50.8	22.74	**0.18**	48.7	-19.4
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	38.0	114.80	**0.17**	77.7	25.9
National Australia Bk Australia (Banks)	50.9	27.20	**0.07**	30.3	-32.8
Canon Japan (Electronic Office Equipment)	52.2	3,910	**...**	41.2	-41.6
Commonwlth Bk of Aus Australia (Banks)	73.8	54.42	**-0.15**	88.3	9.8
Tokio Marine Hldgs Japan (Property Casualty Insurance)	21.5	2,530	**-0.20**	-1.9	-39.8
Toyota Motor Japan (Automobiles)	132.1	3,880	**-0.26**	33.6	-51.3
Woolworths Australia (Food Retailers Wholesalers)	30.3	27.59	**-0.29**	3.5	17.7
Hon Hai Precision Ind Taiwan (Electrical Components Equipment)	39.6	149.50	**-0.33**	167.8	-0.5
Nissan Motor Japan (Automobiles)	35.7	810.00	**-0.37**	153.1	-43.5
Sumitomo Mitsui Finl Japan (Banks)	28.8	2,645	**-0.38**	-29.7	-78.3
KDDI Japan (Mobile Telecommunications)	23.6	493,000	**-0.40**	-22.4	-38.9
China Life Ins Hong Kong (Life Insurance)	36.2	37.70	**-0.40**	60.1	33.5
Mitsubishi Japan (Industrial Suppliers)	40.9	2,305	**-0.43**	86.2	2.9
Mitsubishi UFJ Finl Japan (Banks)	67.9	452.00	**-0.44**	-17.7	-69.3

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
BHP Billiton Australia (General Mining)	127.9	42.70	**-0.51%**	40.3%	67.6%
Westpac Bking Australia (Banks)	65.7	25.27	**-0.51**	48.9	4.8
Takeda Pharm Japan (Pharmaceuticals)	32.7	3,830	**-0.52**	-17.5	-53.1
JFE Hldgs Japan (Iron Steel)	20.9	3,650	**-0.54**	56.3	-40.5
Sony Japan (Consumer Electronics)	28.8	2,670	**-0.56**	38.9	-47.7
Mizuho Financial Grp Japan (Banks)	25.2	166.00	**-0.60**	-35.6	-80.5
Panasonic Japan (Consumer Electronics)	29.7	1,325	**-0.60**	19.1	-44.2
Woodside Petroleum Australia (Exploration Production)	30.3	47.35	**-0.63**	29.0	25.7
NTT DoCoMo Japan (Mobile Telecommunications)	58.5	129,600	**-0.69**	-26.5	-31.1
Westfield Grp Australia (Retail REITs)	25.5	12.40	**-0.80**	-4.3	-39.0
CNOOC Hong Kong (Exploration Production)	68.7	11.92	**-0.83**	64.6	59.4
Indl Comm Bk China Hong Kong (Banks)	68.0	6.35	**-0.94**	55.6	23.3
Honda Motor Japan (Automobiles)	61.4	3,110	**-0.96**	63.2	-33.8
Seven I Hldgs Japan (Broadline Retailers)	18.5	1,897	**-0.99**	-37.8	-48.7
PetroChina Hong Kong (Integrated Oil Gas)	25.1	9.24	**-1.07**	36.1	-16.6
Shin-Etsu Chml Japan (Specialty Chemicals)	24.0	5,230	**-1.13**	28.5	-34.4
China Constr Bk Hong Kong (Banks)	187.7	6.48	**-1.22**	52.5	22.7
Mitsui Japan (Industrial Suppliers)	25.7	1,311	**-1.35**	45.5	-26.4
Shinhan Financial Grp South Korea (Banks)	17.6	43,200	**-1.37**	50.5	-5.5
East Japan Railway Japan (Travel Tourism)	25.1	5,870	**-1.51**	-14.8	-26.2

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	0.54%	0.97%	1.9%	8.3%	8.7%
Event Driven	0.37	0.97	3.3	15.4	15.2
Equity Long/Short	0.92	2.35	1.3	5.2	4.6

*Estimates as of 12/28/09, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

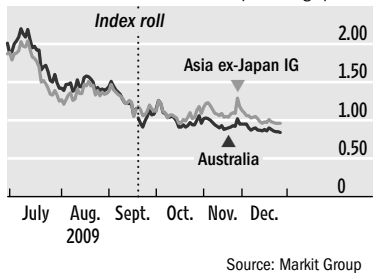
Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.73	101.28%	0.01%	1.00	0.72	0.85
Eur. High Volatility: 12/1	1.03	99.88	0.01	1.76	1.00	1.38
Europe Crossover: 12/1	4.28	102.89	0.05	6.15	4.28	5.22
Asia ex-Japan IG: 12/1	0.96	100.20	0.01	1.29	0.96	1.08
Japan: 12/1	1.33	98.44	0.01	1.68	0.99	1.33

Note: Data as of December 29

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

In percentage points



Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Sanyo Shinpan Fin	809	**-15**	-58	-213
Obayashi	194	**-9**	-11	-25
Nomura Secs	160	**-7**	-6	-2
Promise	795	**-7**	-67	-227
Taisei	369	**-6**	-2	-28
Shimizu	177	**-5**	-5	-3
Nec Electrs	240	**-5**	-7	-32
Shin Han Bk	103	**-4**	-3	-12
Kajima	335	**-4**	-4	-7
Chartered Semicon Mfg	153	**-4**	-5	-7

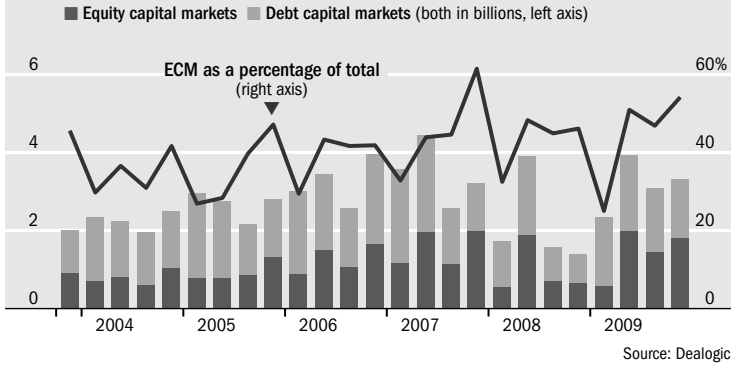
And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Nippon Oil	47	**2**	2	3
Marui Group	248	**2**	-2	2
Mitsubishi Matls	108	**2**	5	2
China Dev Bk	114	**2**	7	-4
Kawasaki Heavy Inds	153	**3**	-3	-14
Citizen Hldgs	67	**3**	2	-2
Mitsubishi Heavy Inds	84	**3**	-4	-22
Fuji Heavy Inds	133	**7**	3	-3
Elpida Memory	679	**24**	12	18
Taiheiyo Cem	567	**43**	37	33

Source: Markit Group

Europe, Middle East & Africa: Bank revenues from equity capital markets

Behind every IPO, follow-on or convertible equity offering is one or more investment banks. At right, investment banks historical and year-to-date revenues from global equity-capital-market (ECM) deals



Source: Dealogic

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	**410.00**	-7.00	**-1.68%**	712.25	315.50
Soybeans (cents/bu.)	CBOT	**1038.50**	-8.50	**-0.81**	1,560.00	805.00
Wheat (cents/bu.)	CBOT	**541.50**	0.50	**0.09%**	1,029.25	459.00
Live cattle (cents/lb.)	CME	**85.125**	-0.250	**-0.29**	108.600	81.900
Cocoa ($/ton)	ICE-US	**3,259**	22	**0.68**	3,510	1,994
Coffee (cents/lb.)	ICE-US	**136.65**	0.30	**0.22**	188.65	115.00
Sugar (cents/lb.)	ICE-US	**27.17**	0.40	**1.49**	27.49	11.91
Cotton (cents/lb.)	ICE-US	**75.26**	0.19	**0.25**	84.00	49.67
Crude palm oil (ringgit/ton)	MDEX	**2,595.00**	5	**0.19**	3,580	1,487
Cocoa (pounds/ton)	LIFFE	**2,238**	4	**0.18**	2,337	1,310
Robusta coffee ($/ton)	LIFFE	**1,266**	-35	**-2.69**	1,710	1,300
Copper (cents/lb.)	COMEX	**333.50**	2.15	**0.65**	365.00	135.50
Gold ($/troy oz.)	COMEX	**1089.20**	-8.90	**-0.81**	1,227.50	762.30
Silver (cents/troy oz.)	COMEX	**1689.00**	-22.00	**-1.29**	2,011.50	1,045.00
Aluminum ($/ton)	LME	**2,262.00**	-14.00	**-0.62**	2,283.00	1,288.00
Tin ($/ton)	LME	**16,750.00**	100.00	**0.60**	16,750.00	9,945.00
Copper ($/ton)	LME	**7,321.00**	61.00	**0.84**	7,321.00	2,934.00
Lead ($/ton)	LME	**2,425.00**	30.00	**1.25**	2,487.00	920.00
Zinc ($/ton)	LME	**2,581.00**	31.00	**1.22**	2,581.00	1,086.00
Nickel ($/ton)	LME	**18,930**	-120	**-0.63**	21,150	9,475
Crude oil ($/bbl.)	NYMEX	**79.00**	-0.13	**-0.16**	117.00	47.60
Heating oil ($/gal.)	NYMEX	**2.1036**	0.0130	**0.61**	3.5570	1.3816
RBOB gasoline ($/gal.)	NYMEX	**2.0385**	0.0095	**0.47**	2.1342	1.2304
Natural gas ($/mmBtu)	NYMEX	**5.795**	-0.019	**-0.33**	12.590	4.550
Brent crude ($/bbl.)	ICE-EU	**77.72**	0.08	**0.10**	145.00	50.00
Gas oil ($/ton)	ICE-EU	**641.50**	5.75	**0.90**	875.00	450.50

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Dec. 30

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.4599	0.1832	3.8165	0.2620
Brazil real	2.5000	0.4000	1.7476	0.5722
Canada dollar	1.5021	0.6657	1.0500	0.9524
1-mo. forward	1.5021	0.6657	1.0500	0.9524
3-mos. forward	1.5021	0.6657	1.0500	0.9524
6-mos. forward	1.5022	0.6657	1.0501	0.9523
Chile peso	725.67	0.001378	507.25	0.001971
Colombia peso	2921.36	0.0003423	2042.05	0.0004897
Ecuador US dollar-f	1.4306	0.6990	1	1
Mexico peso-a	18.6429	0.0536	13.0315	0.0767
Peru sol	4.1359	0.2418	2.8910	0.3459
Uruguay peso-e	27.968	0.0358	19.550	0.0512
U.S. dollar	1.4306	0.6990	1	1
Venezuela bolivar	3.07	0.325529	2.15	0.465701
ASIA-PACIFIC				
Australia dollar	1.6009	0.6246	1.1191	0.8936
China yuan	9.7646	0.1024	6.8255	0.1465
Hong Kong dollar	11.0939	0.0901	7.7547	0.1290
India rupee	66.6373	0.0150	46.5800	0.0215
Indonesia rupiah	13498	0.0000741	9435	0.0001060
Japan yen	132.59	0.007542	92.68	0.010790
1-mo. forward	132.57	0.007543	92.67	0.010791
3-mos. forward	132.52	0.007546	92.63	0.010795
6-mos. forward	132.41	0.007552	92.55	0.010805
Malaysia ringgit-c	4.9012	0.2040	3.4260	0.2919
New Zealand dollar	1.9872	0.5032	1.3891	0.7199
Pakistan rupee	119.741	0.0084	83.700	0.0119
Philippines peso	66.058	0.0151	46.175	0.0217
Singapore dollar	2.0105	0.4974	1.4054	0.7116
South Korea won	1666.15	0.0006002	1164.65	0.0008586
Taiwan dollar	46.071	0.02171	32.204	0.03105
Thailand baht	47.732	0.02095	33.365	0.02997

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.6990	1.4306
1-mo. forward	1.0000	1.0000	0.6990	1.4305
3-mos. forward	1.0002	0.9998	0.6991	1.4304
6-mos. forward	1.0005	0.9995	0.6994	1.4299
Czech Rep. koruna-b	26.436	0.0378	18.479	0.0541
Denmark krone	7.4425	0.1344	5.2024	0.1922
Hungary forint	272.70	0.003667	190.62	0.005246
Norway krone	8.3095	0.1203	5.8084	0.1722
Poland zloty	4.1306	0.2421	2.8874	0.3463
Russia ruble-d	43.383	0.02305	30.325	0.03298
Sweden krona	10.2619	0.0974	7.1732	0.1394
Switzerland franc	1.4886	0.6718	1.0406	0.9610
1-mo. forward	1.4883	0.6719	1.0404	0.9612
3-mos. forward	1.4877	0.6722	1.0399	0.9616
6-mos. forward	1.4863	0.6728	1.0390	0.9625
Turkey lira	2.1631	0.4623	1.5120	0.6614
U.K. pound	0.8937	1.1190	0.6247	1.6008
1-mo. forward	0.8938	1.1188	0.6248	1.6005
3-mos. forward	0.8942	1.1183	0.6250	1.5999
6-mos. forward	0.8947	1.1177	0.6254	1.5990
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5393	1.8542	0.3770	2.6526
Egypt pound-a	7.8498	0.1274	5.4871	0.1822
Israel shekel	5.4270	0.1843	3.7935	0.2636
Jordan dinar	1.0125	0.9876	0.7078	1.4129
Kuwait dinar	0.4109	2.4334	0.2873	3.4813
Lebanon pound	2148.05	0.0004655	1501.50	0.0006660
Saudi Arabia riyal	5.3658	0.1864	3.7508	0.2666
South Africa rand	10.5653	0.0946	7.3853	0.1354
United Arab dirham	5.2547	0.1903	3.6731	0.2723
SDR -f	0.9159	1.0918	0.6402	1.5620

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	Net change	Percentage change	PERFORMANCE Yr.-to-date	52-wk.
32	**ASIA-PACIFIC**	DJ Asia-Pacific	122.59	-0.75	**-0.61%**	31.0%	31.0%
...	Australia	SPX/ASX 200	4833.32	-11.79	**-0.24**	29.8	29.8
...	China	CBN 600	28894.83	374.10	**1.31%**	95.7	95.7
20	Hong Kong	Hang Seng	21496.62	-2.82	**-0.01**	49.4	49.4
20	India	Sensex	17343.82	-57.74	**-0.33**	79.8	79.8
...	Indonesia	Jakarta Composite	2534.356	15.362	**0.61**	87.0	87.0
...	Japan	Nikkei Stock Average	10546.44	-91.62	**-0.86**	19.0	19.0
...		Topix	907.59	-8.28	**-0.90**	5.6	5.6
...	Malaysia	Kuala Lumpur Composite	1271.12	-4.10	**-0.32**	45.0	45.0
...	New Zealand	NZSX-50	3220.911	-4.217	**-0.13**	18.6	18.6
9	Pakistan	KSE 100	9507.95	97.29	**1.03**	62.1	62.1
15	Philippines	Manila Composite	3052.68		**Closed**	63.0	63.0
...	Singapore	Straits Times	2879.76	10.00	**0.35**	63.5	63.5
11	South Korea	Kospi	1682.77	10.29	**0.62**	49.7	49.7
20	Taiwan	Weighted	8112.28	58.45	**0.73**	76.7	76.7
10	Thailand	SET	734.54	-7.62	**-1.03**	63.2	63.2
50	**EUROPE**	DJ Stoxx 600	253.16	-0.93	**-0.37**	28.6	28.6
22		DJ Stoxx 50	2578.40	-15.52	**-0.60**	24.8	24.8
62	**Euro Zone**	DJ Euro Stoxx	274.93	-1.67	**-0.60%**	23.4%	23.4%
20		DJ Euro Stoxx 50	2968.49	-23.59	**-0.79**	21.1	21.1
19	Denmark	OMX Copenhagen	315.70	0.39	**0.12%**	39.6	39.6
20	Finland	OMX Helsinki	6456.13	28.22	**0.44**	19.5	19.5
19	France	CAC-40	3935.50	-24.48	**-0.62**	22.3	22.3
21	Germany	DAX	5957.43	-54.12	**-0.90**	23.8	23.8
17	Italy	FTSE MIB	23248.39	-127.85	**-0.55**	19.5	19.5
...	Netherlands	AEX	335.14	-2.14	**-0.63**	36.3	36.3
...	Russia	RTSI	1426.93	-18.24	**-1.26**	125.8	125.8
11	Spain	IBEX 35	11940.0	-95.1	**-0.79**	29.8	29.8
15	Switzerland	SMI	6545.91	-62.61	**-0.95**	18.3	18.3
...	Turkey	ISE National 100	51668.41	-117.63	**-0.23**	92.3	92.3
15	U.K.	FTSE 100	5397.86	-39.75	**-0.73**	21.7	21.7
21	**AMERICAS**	DJ Americas	298.73	-0.49	**-0.16**	32.1	32.1
...	Brazil	Bovespa	68134.04	-162.00	**-0.24**	81.4	81.4
...	Argentina	Merval	2326.30	7.91	**0.34**	115.5	115.5
21	Mexico	IPC	32422.35	-203.94	**-0.63**	44.9	44.9

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Reuters Group PLC is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
2.16%	21	**DJ Global Index**	227.20	-1.12	**-1.12%**	32.1%	-0.5%	-6.4%
1.89	21	**Global DOW**	1988.88	-6.94	**-6.94**	30.3	-0.3	-2.4
2.33		**Asia/Pacific 600**	114.49	-1.25	**-1.25**	20.0	-1.1	-7.9
1.76	16	**Emerging Markets**	277.70	0.06	**0.06**	76.3	0.0	3.2
2.11	32	**Asia/Pacific**	122.59	-0.75	**-0.75**	31.0	-0.6	-5.7
2.38	14	**Asia/Pacific ex-Japan**	312.04	0.26	**0.26**	68.2	0.1	0.4
2.53	23	**Southeast Asia**	159.28	0.81	**0.81**	75.4	0.5	2.2
0.83	30	**CBN China 600** -c	28894.83	374.09	**374.09**	95.7	1.3	22.8
0.85	34	**Shanghai**	385.28	5.03	**5.03**	95.3	1.3	22.9
0.58	47	**Shenzhen**	413.98	1.71	**1.71**	118.2	0.4	29.8
2.21	19	**China Offshore 50**	3998.30	-20.66	**-20.66**	50.0	-0.5	5.4
8.54	10	**Australia LPT** -c, d	1146.20	-3.84	**-3.84**	4.7	-0.3	-22.2

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
2.06%	15	**Islamic Market**	1980.12	-6.00	**-6.00%**	34.2%	-0.3%	-1.5%
2.34	16	**Islamic Market 100**	2132.81	-6.06	**-6.06**	22.3	-0.3	-2.3
9.76	14	**Bahrain**	120.83	0.24	**0.24**	-20.5	0.2	-13.8
2.82	33	**Kuwait**	193.74	-2.37	**-2.37**	-9.8	-1.2	-16.3
2.59	20	**Sustainability**	1011.37	-7.39	**-7.39**	31.8	-0.7	-7.3
2.72	50	**Stoxx 600 -p**	273.39	1.30	**1.30**	31.4	0.5	-8.7
4.74	17	**Stoxx Select Div 30 -p**	1809.15	18.39	**18.39**	32.1	1.0	-21.0
3.98	23	**Euro Stoxx Sel Div 30 -p**	2149.91	15.41	**15.41**	30.1	0.7	-16.6
1.70	30	**DJ U.S. TSM**	11607.40	-7.48	**-7.48**	27.7	-0.1	-6.6
5.20	12	**U.S. Select Dividend -d**	660.54	0.08	**0.08**	12.8	0.0	-9.6
4.37		**U.S. REIT**	147.39	-0.62	**-0.62**	21.6	-0.4	-17.8
		DJ-UBS Commodity -p	139.64	-0.41	**-0.41**	23.1	-0.3	-5.7

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

U.S.	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
		1.119	0.625	1.050	6.826	0.699	7.755	46.580	9434.85	92.680	1.389	1164.65	3.426	46.175	1.405	1.041	32.204	33.365
Australia	0.894		0.558	0.938	6.099	0.625	6.930	41.624	8430.98	82.819	1.241	1040.73	3.061	41.262	1.256	0.930	28.777	29.815
Britain	1.601	1.791		1.681	10.926	1.119	12.414	74.565	15103.31	148.362	2.224	1864.37	5.484	73.917	2.250	1.666	51.552	53.411
Canada	0.952	1.066	0.595		6.500	0.666	7.385	44.362	8985.57	88.267	1.323	1109.19	3.263	43.976	1.338	0.991	30.670	31.776
China	0.1465	0.164	0.092	0.154		0.102	1.136	6.824	1382.29	13.578	0.204	170.63	0.502	6.765	0.206	0.152	4.718	4.888
Euro	1.431	1.601	0.894	1.502	9.765		11.094	66.637	13497.50	132.588	1.987	1666.14	4.901	66.058	2.010	1.489	46.071	47.732
Hong Kong	0.129	0.144	0.081	0.135	0.880	0.090		6.007	1216.66	11.951	0.179	150.19	0.442	5.954	0.181	0.134	4.153	4.303
India	0.0215	0.0240	0.0134	0.0225	0.1465	0.0150	0.1665		202.55	1.9897	0.0298	25.00	0.0736	0.9913	0.0302	0.0223	0.6914	0.7163
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0049		0.0098	0.0001	0.12	0.0004	0.0049	0.0001	0.0001	0.0034	0.0035
Japan	0.011	0.012	0.007	0.011	0.074	0.008	0.084	0.503	101.80		0.015	12.57	0.037	0.498	0.015	0.011	0.347	0.360
New Zealand	0.720	0.806	0.450	0.756	4.914	0.503	5.583	33.533	6792.15	66.720		838.43	2.466	33.241	1.012	0.749	23.184	24.019
South Korea	0.0009	0.0010	0.0005	0.0009	0.0059	0.0006	0.0067	0.0400	8.10	0.0796	0.0012		0.0029	0.0396	0.0012	0.0009	0.0277	0.0286
Malaysia	0.292	0.327	0.182	0.306	1.992	0.204	2.263	13.596	2753.90	27.052	0.405	339.94		13.478	0.410	0.304	9.400	9.739
Philippines	0.022	0.024	0.014	0.023	0.148	0.015	0.168	1.009	204.33	2.007	0.030	25.22	0.074		0.030	0.023	0.697	0.723
Singapore	0.712	0.796	0.445	0.747	4.857	0.497	5.518	33.145	6713.52	65.948	0.988	828.72	2.438	32.857		0.740	22.915	23.741
Switzerland	0.961	1.075	0.600	1.009	6.560	0.672	7.453	44.765	9067.18	89.068	1.335	1119.26	3.292	44.376	1.351		30.949	32.065
Taiwan	0.031	0.035	0.019	0.033	0.212	0.022	0.241	1.446	292.97	2.878	0.043	36.16	0.106	1.434	0.044	0.032		1.036
Thailand	0.030	0.034	0.019	0.031	0.205	0.021	0.232	1.396	282.78	2.778	0.042	34.91	0.103	1.384	0.042	0.031	0.965	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of December. 30, 2009

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.50%	25	**ALL COUNTRY (AC) WORLD***	301.20	0.11%	**32.3%**	36.9%
2.50	26	**World (Developed Markets)**	1,177.97	0.14	**28.0**	31.9
1.90	124	**World Small Cap**	191.82	0.18	**42.9**	51.3
2.60	22	**Kokusai (World ex-Japan)**	1,167.35	0.17	**30.8**	34.0
3.10	26	**EAFE**	1,591.62	0.48	**28.6**	36.2
2.20	20	**Emerging Markets (EM)**	980.58	-0.06	**72.9**	86.1
2.60	25	**AC ASIA PACIFIC EX-JAPAN**	411.42	0.62	**66.3**	80.9
2.10	25	**AC Far East ex-Japan**	443.09	-0.01	**62.5**	78.8
1.80	35	**Japan**	573.41	0.14	**8.2**	11.2
1.90	20	**China**	63.64	-0.16	**56.0**	72.4
0.90	39	**China A (China Domestic)**	3,318.78	0.52	**91.3**	90.9
2.60	23	**Hong Kong**	10,040.99	0.59	**53.2**	58.9
1.00	21	**India**	705.57	0.03	**91.1**	103.7
1.10	24	**Korea**	477.21	-0.63	**55.5**	59.7
2.40	21	**Malaysia**	471.66	0.28	**46.8**	48.6
3.10	17	**Singapore**	1,609.66	0.64	**61.5**	63.7
2.70	315	**Taiwan**	291.07	-0.10	**67.9**	73.8
3.10	20	**Thailand**	304.67	1.35	**64.6**	83.5
4.00	25	**Australia**	995.77	1.10	**30.1**	29.0
5.30	16	**New Zealand**	87.53	1.27	**15.3**	12.9
1.90	32	**US BROAD MARKET**	1,249.76	-0.15	**27.2**	29.2
3.40	17	**EUROPE**	88.37	0.34	**27.3**	22.2

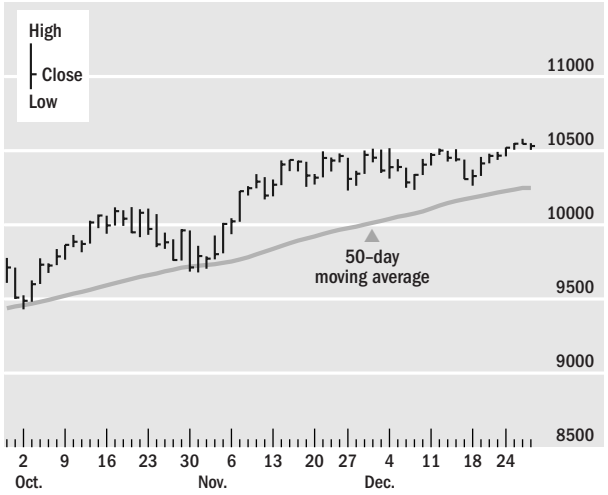
*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

SCANNING THE GLOBE

Dow Jones Industrial Average P/E: 18

LAST: **10531.51** ▼ 13.90, or 0.13%
YEAR TO DATE: ▲ **1,755.12, or 20.0%**
OVER 52 WEEKS ▲ **1,755.12, or 20.0%**



Nasdaq Composite Index P/E: 44*

LAST: **2282.01** ▼ 6.39, or 0.28%
YEAR TO DATE: ▲ **704.98, or 44.7%**
OVER 52 WEEKS ▲ **704.98, or 44.7%**

S&P 500 Index P/E: 73

LAST: **1123.42** ▼ 2.78, or 0.25%
YEAR TO DATE: ▲ **220.17, or 24.4%**
OVER 52 WEEKS ▲ **220.17, or 24.4%**

*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**8.60**	$28.49	0.15	**0.53%**
Alcoa	AA	**8.40**	16.23	0.20	**1.25**
AmExpress	AXP	**1.40**	40.43	-0.45	**-1.10**
BankAm	BAC	**40.80**	15.01	-0.11	**-0.73**
Boeing	BA	**0.70**	55.22	0.01	**0.02**
Caterpillar	CAT	**1.20**	58.02	-0.16	**-0.28**
Chevron	CVX	**1.80**	77.54	0.33	**0.43**
CiscoSys	CSCO	**7.60**	24.13	0.03	**0.12**
CocaCola	KO	**1.90**	57.78	0.04	**0.07**
Disney	DIS	**3.00**	32.33	-0.05	**-0.17**
DuPont	DD	**1.60**	34.14	0.26	**0.77**
ExxonMobil	XOM	**7.80**	68.79	-0.05	**-0.07**
GenElec	GE	**18.90**	15.28	-0.16	**-1.03**
HewlettPk	HPQ	**2.90**	52.79	0.22	**0.42**
HomeDpt	HD	**1.90**	29.10	-0.17	**-0.58**
Intel	INTC	**12.20**	20.50	0.10	**0.49**
IBM	IBM	**1.70**	132.35	0.50	**0.38**
JPMorgChas	JPM	**7.40**	41.52	0.03	**0.07**
JohnsJohns	JNJ	**2.50**	64.90	-0.04	**-0.06**
KftFoods	KFT	**2.40**	27.43	-0.02	**-0.07**
McDonalds	MCD	**1.80**	63.05	-0.54	**-0.85**
Merck	MRK	**3.70**	36.97	-0.13	**-0.36**
Microsoft	MSFT	**18.10**	30.96	-0.43	**-1.37**
Pfizer	PFE	**7.20**	18.43	-0.13	**-0.70**
ProctGamb	PG	**1.90**	61.50	-0.08	**-0.13**
3M	MMM	**1.20**	84.13	0.00	**0.00**
TravelersCos	TRV	**0.70**	50.29	0.42	**0.84**
UnitedTech	UTX	**1.00**	70.35	0.05	**0.06**
Verizon	VZ	**3.50**	33.41	-0.02	**-0.05**
WalMart	WMT	**2.70**	54.19	0.08	**0.14**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**128.1**	$3.31	–$0.06	**–1.78%**
BankAm	BAC	**41.6**	15.01	–0.11	**–0.73**
SPDR S&P 500	SPY	**35.9**	112.48	–0.08	**–0.07**
FannieMae	FNM	**33.1**	1.18	–0.07	**–5.61**
PwrShrs QQQ	QQQQ	**30.6**	46.10	0.07	**0.15**
FordMotor	F	**26.9**	9.93	–0.18	**–1.77**
AdventrxPharm	ANX	**26.2**	0.39	–0.04	**–9.30**
iShrRu2000	IWM	**22.3**	63.16	–0.07	**–0.11**
GenElec	GE	**19.0**	15.28	–0.16	**–1.04**
Microsoft	MSFT	**18.1**	30.96	–0.43	**–1.37**
FredMac	FRE	**17.1**	1.41	–0.09	**–6.00**
Uluru	ULU	**16.2**	0.25	0.01	**5.38**
SPDR FnclSelSct	XLF	**15.5**	14.40	–0.02	**–0.14**
iShrMSCIEmrgMkt	EEM	**14.4**	41.30	0.12	**0.29**
SprintNextel	S	**13.0**	3.79	–0.02	**–0.52**

Biggest gainers...

ICXTech	ICXT	**3,309.1**	$8.00	$1.70	**26.98%**
OriginAgrtch	SEED	**12,364.0**	12.09	2.41	**24.90**
Arbinet	ARBX	**23.2**	2.48	0.45	**22.16**
Kforce	KFRC	**476.9**	13.23	1.76	**15.33**
Kongzhong	KONG	**829.2**	11.60	1.23	**11.86**

...Biggest losers

ChinaBAK	CBAK	**11,261.7**	$2.82	-$0.82	**-22.53%**
Dow30PremInc	DPO	**2,066.0**	11.60	-1.82	**-13.56**
TricoMarine	TRMA	**863.6**	4.60	-0.68	**-12.88**
GpoRadio ADS	RC	**10.3**	9.30	-1.30	**-12.26**
TorchEgyTr	TRU	**276.2**	4.60	-0.60	**-11.54**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.40	$6.36	**Taiwan Semi**	TSM	**1,981.3**	$11.27	0.03	**0.27%**
78.75	33.09	**BHP Billiton**	BHP	**579.6**	76.97	0.63	**0.82**
11.99	6.25	**AU Optrncs**	AUO	**554.8**	11.91	0.04	**0.34**
59.22	40.20	**China Mobile**	CHL	**537.6**	45.59	0.47	**1.04**
18.64	12.59	**SK Telecom**	SKM	**466.1**	16.06	0.02	**0.12**
3.87	1.65	**Utd Microelectronics**	UMC	**459.5**	3.77	0.02	**0.53**
15.95	8.56	**China Unicom**	CHU	**452.4**	12.97	0.03	**0.19**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**443.2**	4.93	-0.03	**-0.61**
56.19	22.61	**Infosys Tech**	INFY	**438.8**	55.72	0.15	**0.27**
30.82	15.64	**Sony**	SNE	**302.0**	29.25	-0.10	**-0.34**
34.52	20.28	**Honda Motor**	HMC	**260.2**	33.88	-0.47	**-1.36**
19.56	15.05	**ChunghwaTel**	CHT	**258.1**	18.49	0.05	**0.27**
8.19	3.78	**Siliconware Prec Ind**	SPIL	**226.3**	6.92	0.06	**0.87**
32.79	9.91	**Aluminum Cp of China**	ACH	**179.5**	27.31	0.07	**0.26**
135.92	63.94	**PetroChina**	PTR	**175.8**	119.15	-0.96	**-0.80**
19.93	13.11	**NTT DoCoMo**	DCM	**161.5**	14.07	-0.10	**-0.71**
41.87	19.90	**Telekom Indonesia**	TLK	**147.6**	40.09	-0.31	**-0.77**
27.55	17.71	**NTT**	NTT	**142.8**	19.87	-0.34	**-1.68**
4.63	1.49	**Adv Semi Engrg**	ASX	**131.4**	4.42	0.04	**0.91**
81.00	37.43	**China Life Ins**	LFC	**129.9**	73.06	-0.09	**-0.12**
4.00	1.50	**SemiMfgInt**	SMI	**118.6**	3.37	0.13	**3.97**
9.50	3.96	**Nomura Hldgs**	NMR	**111.1**	7.38	-0.09	**-1.20**
22.32	5.11	**Yanzhou Coal Mining**	YZC	**101.7**	21.90	0.00	**0**
150.50	47.09	**POSCO**	PKX	**100.8**	131.77	1.04	**0.80**
15.29	6.85	**Korea Elec Pwr**	KEP	**98.0**	14.58	0.02	**0.14**
17.79	11.30	**KT Corp**	KTC	**79.6**	16.77	-0.12	**-0.71**
9.82	5.43	**Telecom Corp of NZ**	NZT	**79.2**	8.90	-0.09	**-0.98**
7.10	2.00	**Alumina**	AWC	**66.2**	6.48	-0.03	**-0.45**
34.43	21.60	**Huaneng Power Intl**	HNP	**65.2**	22.32	0.10	**0.43**
94.00	46.45	**China Petro & Chem**	SNP	**64.9**	87.58	-0.19	**-0.22**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

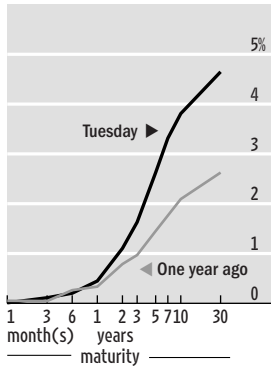
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.470%**	**338.3**	341.0	361.4	**211.4**	**4.505%**	4.298%	**2.838%**
4.500	10	**5.780**	**198.1**	201.1	205.0	**195.6**	**5.838**	5.251	**4.017**
5.000	**Austria** 2	**1.766**	**67.9**	61.7	26.7	**138.4**	**1.712**	0.951	**2.108**
3.900	10	**3.908**	**10.9**	2.4	33.5	**181.0**	**3.851**	3.536	**3.871**
3.500	**Belgium** 2	**1.120**	**3.3**	-3.0	39.3	**150.1**	**1.065**	1.077	**2.225**
4.000	10	**3.721**	**-7.8**	-12.2	38.9	**170.9**	**3.705**	3.590	**3.770**
1.250	**Canada** 2	**1.450**	**36.3**	35.9	43.4	**36.2**	**1.454**	1.118	**1.086**
3.750	10	**3.638**	**-16.1**	-16.8	2.2	**60.5**	**3.659**	3.223	**2.666**
4.000	**Denmark** 2	**2.118**	**103.1**	92.7	141.8	**198.6**	**2.022**	2.102	**2.710**
4.000	10	**3.678**	**-12.1**	-19.9	35.2	**130.9**	**3.628**	3.553	**3.370**
1.500	**France** 2	**1.212**	**12.5**	9.4	53.7	**135.7**	**1.189**	1.221	**2.081**
3.750	10	**3.615**	**-18.4**	-27.4	24.5	**135.6**	**3.553**	3.446	**3.417**
1.250	**Germany** 2	**1.344**	**25.7**	20.1	55.1	**103.6**	**1.296**	1.235	**1.760**
3.250	10	**3.408**	**-39.1**	-45.7	-3.9	**88.3**	**3.370**	3.162	**2.944**
0.550	**Hong Kong** 2	**0.707**	**-38.0**	-37.1	-27.6	**-9.5**	**0.724**	0.408	**0.629**
2.160	10	**2.776**	**-102.3**	-97.5	-104.2	**-77.7**	**2.852**	2.159	**1.284**
3.750	**Italy** 2	**1.561**	**47.4**	45.2	90.3	**234.6**	**1.547**	1.587	**3.070**
4.250	10	**4.160**	**36.1**	27.5	83.5	**232.4**	**4.102**	4.036	**4.385**
0.200	**Japan** 2	**0.150**	**-93.7**	-92.4	-45.4	**-33.3**	**0.171**	0.230	**0.391**
1.300	10	**1.291**	**-250.8**	-251.2	-194.9	**-89.3**	**1.315**	1.252	**1.168**
4.000	**Netherlands** 2	**0.881**	**-20.6**	-19.3	24.1	**129.2**	**0.902**	0.925	**2.016**
4.000	10	**3.563**	**-23.6**	-30.6	22.9	**148.5**	**3.521**	3.430	**3.546**
3.200	**Portugal** 2	**1.372**	**28.5**	39.3	54.6	**184.8**	**1.488**	1.230	**2.572**
4.750	10	**4.078**	**27.9**	21.0	60.0	**191.9**	**4.037**	3.801	**3.980**
5.350	**Spain** 2	**1.591**	**50.4**	46.7	68.5	**163.7**	**1.562**	1.369	**2.361**
4.300	10	**3.996**	**19.7**	12.4	59.1	**176.0**	**3.951**	3.792	**3.821**
2.750	**Switzerland** 2	**0.648**	**-43.9**	-44.5	-20.8	**-11.7**	**0.650**	0.476	**0.607**
2.250	10	**2.010**	**-178.9**	-183.3	-130.5	**14.0**	**1.994**	1.896	**2.201**
3.250	**U.K.** 2	**1.349**	**26.2**	28.6	52.0	**39.5**	**1.381**	1.204	**1.119**
4.500	10	**4.064**	**26.5**	25.6	34.4	**102.9**	**4.083**	3.545	**3.090**
1.000	**U.S.** 2	**1.087**	**...**	...	...	**...**	**1.095**	0.684	**0.724**
3.375	10	**3.799**	**...**	...	...	**...**	**3.827**	3.201	**2.061**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.648%**	16.18	–6.85%	–8.31%	–25.72%	–26.66%
10-year Treasury	**3.809**	8.26	–4.66	–3.21	–9.17	–10.36
7 Year Treasury	**3.315**	6.22	–3.60	–1.36	...	...
Five-year Treasury	**2.625**	4.66	–2.46	–0.27	–0.30	–0.76
Ryan Index	**2.855**	6.70	–3.26	–2.13	–6.43	–6.99
3 Year Treasury	**1.630**	2.90	–1.25	0.21	1.28	1.27
Two-year Treasury	**1.103**	1.97	–0.66	0.27	1.40	1.44
1 Year Treasury	**0.448**	0.96	–0.11	0.19	0.95	0.94
Six-month Treasury	**0.203**	0.50	...	0.06	0.63	0.63
Ryan Cash Index-a	**0.193**	0.45	–0.02	0.08	0.52	0.52
Three-month bill	**0.112**	0.25	0.02	0.06	0.37	0.36
One-month bill	**0.010**	0.08	0.01	0.02	0.15	0.15

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	3.50
Japan	**1.475**	1.675
Britain	**0.50**	2.00
ECB	**1.00**	2.50
Switzerland	**0.54**	2.02
Australia	**3.75**	4.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.23094%**	0.43625%
Three month	**0.25063**	1.42500
Six month	**0.43000**	1.75000
One year	**0.98563**	2.00375

	Latest	52 wks ago
Euro Libor		
One month	**0.42000%**	2.58875%
Three month	**0.65500**	2.89375
Six month	**0.97063**	2.97750
One year	**1.22000**	3.05875
Hibor		
One month	**0.07929**	0.29929%
Three month	**0.13929**	0.95071
Six month	**0.28929**	1.45000
One year	**0.67857**	1.84929
Asian dollars		
One month	**0.2420%**	0.45%
Three month	**0.2608**	1.4425
Six month	**0.4563**	1.7900
One year	**1.0075**	2.0175

	Offer	Bid
Eurodollars		
One month	**0.3500%**	0.2000%
Three month	**0.3300**	0.2300
Six month	**0.4100**	0.3100
One year	**0.6500**	0.5500

	Latest	52 wks ago
U.S. discount	**0.50%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.05%**	0.01%
U.K. (BBA)	**0.500**	1.908
Euro zone	**0.35**	2.17

Sources: WSJ Market Data Group; Reuters

MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Wednesday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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Asian index movers...

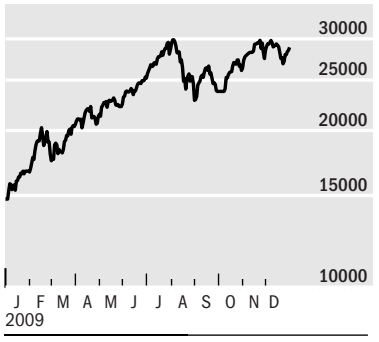
Nikkei Stock Average
Japan 10546.44
▼ **0.86% or 91.62**

Tokyo stocks ended lower in the last trading session of 2009, as the yen weakened. Japan Airlines plunged 24% amid fears of a possible bankruptcy. Hitachi climbed 3.6%.

Stock	Volume in millions	Close	Change Net	Change %
JapanAirlines	**397.86**	67	–21	–23.86
Hitachi	**119.13**	284	10	3.65
Mizuho Financial	**90.78**	166	–1	–0.60
Mtshbsh Fin Grp	**78.29**	452	–2	–0.44
Showa Denko	**37.22**	185	7	3.93

CBN 600
China 28894.83
▲ **1.31% or 374.10**

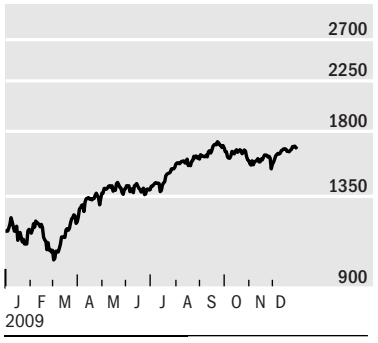
The market rose for a third consecutive session, led by banks and oil refiners. Bank of Communications rose 6.6%; China Citic Bank added 5.9%. PetroChina improved 1.9%.



Stock	Volume in millions	Close	Change Net	Change %
Icbc	**358.84**	5.39	0.11	2.08
United Network	**330.61**	7.28	0.19	2.68
ChinaMinshengBkg	**298.33**	7.89	0.23	3.00
Bank Of Comm	**276.96**	9.18	0.57	6.62
China State Con	**274.41**	4.65	0.06	1.31

Kospi
South Korea 1682.77
▲ **0.62% or 10.29**

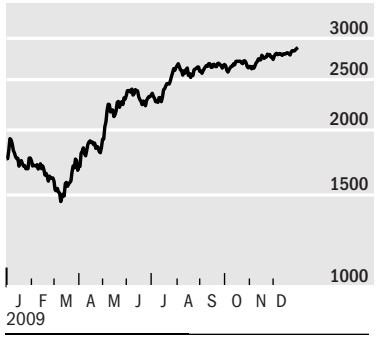
Shares advanced as foreign buying outweighed concerns about Kumho Asiana Group. Samsung Electronics rose 1.7%, while Kumho Tire and Kumho Industrial fell 15%.



Stock	Volume in millions	Close	Change Net	Change %
Korea Data Sys	**50.64**	215	unch	...
Kedcom	**26.37**	105	5	5.00
Kec	**12.51**	985	100	11.30
Woori Finance	**11.10**	13,850	–600	–4.15
Asiana Airlines	**10.44**	3,645	–270	–6.90

Straits-Times
Singapore 2879.76
▲ **0.35% or 10.00**

Singapore shares rose for a third straight session, buoyed by property and bank shares. CapitaLand rose 1.2%. UOB advanced 1.1% and OCBC rose 0.4%.

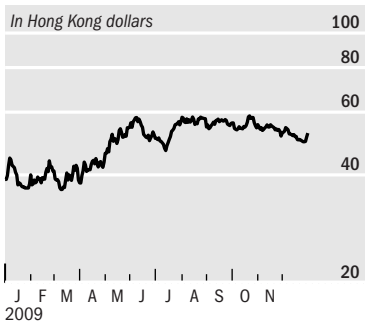


Stock	Volume in millions	Close	Change Net	Change %
Genting Spore	**103.77**	1.26	–0.02	–1.56
Golden Agri	**45.59**	0.51	unch	...
Cosco	**10.52**	1.18	–0.03	–2.48
CapitaLand	**9.13**	4.20	0.05	1.20
Sing Telecom	**6.69**	3.10	0.01	0.32

Asian stocks in the news

Hutchison Whampoa
Hong Kong HK$52.40
▲ **2.5% or HK$1.30**

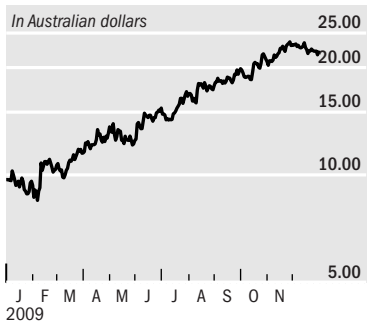
News that a managing director joined the chairman's recent share-buying spree helped shares.



		Daily	1 wk.	52 wks
Price-to-earnings ratio	**18**			
Earnings per share, past four quarters	**2.99**			
Dividend yield	**3.3**			
		PERCENTAGE CHANGE		
Indus Gds & Svcs		**-0.7%**	1.3%	42.2%
Hutchison Whampoa		**2.5%**	5.2%	34.9%

JB Hi-Fi
Australia A$22.34
▲ **2.9% or A$0.62**

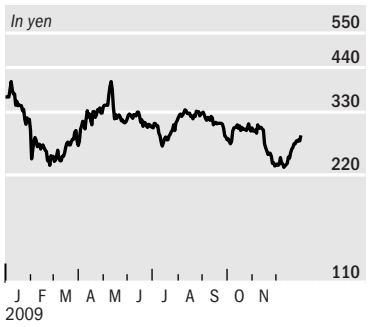
The company's CEO said second-quarter sales volumes were "definitely" up on last year.



		Daily	1 wk.	52 wks
Price-to-earnings ratio	**25**			
Earnings per share, past four quarters	**0.88**			
Dividend yield	**1.3**			
		PERCENTAGE CHANGE		
Retail		**-0.8%**	2.2%	18.3%
JB Hi-Fi		**2.9%**	0.0%	130.3%

Hitachi
Japan ¥284
▲ **3.6% or ¥10**

A report that the company would try to return to the black in the next fiscal year lifted shares.



		Daily	1 wk.	52 wks
Price-to-earnings ratio	**none**			
Earnings per share, past four quarters	**-48.70**			
Dividend yield	**none**			
		PERCENTAGE CHANGE		
Indus Gds & Svcs		**-0.7%**	1.3%	42.2%
Hitachi		**3.6%**	5.6%	-17.7%

Showa Denko K.K.
Japan ¥185
▲ **3.9% or ¥7**

Shares rose in reaction to an optimistic stock rating by Mitsubishi UFJ Securities.

		Daily	1 wk.	52 wks
Price-to-earnings ratio	**none**			
Earnings per share, past four quarters	**-27.70**			
Dividend yield	**1.6**			
		PERCENTAGE CHANGE		
Chemicals		**-0.8%**	0.6%	43.9%
Showa Denko K.K.		**3.9%**	2.8%	45.7%

China Everbright
Hong Kong HK$18.86
▲ **7.3% or HK$1.28**

The financial-services company has climbed 5.8% in the past week.

		Daily	1 wk.	52 wks
Price-to-earnings ratio	**53**			
Earnings per share, past four quarters	**0.36**			
Dividend yield	**1.6**			
		PERCENTAGE CHANGE		
Financial Services		**-0.2%**	1.5%	36.6%
China Everbright		**7.3%**	10.9%	98.1%

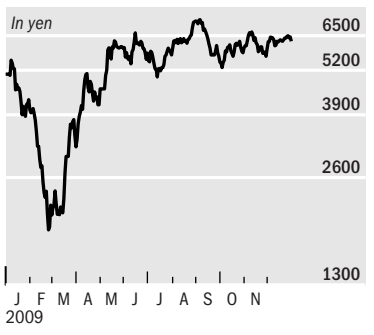
Mizuho Securities
Japan ¥281
▼ **2.8% or ¥8**

Shares fell for a second day amid high volume, bringing its two-day decline to JPY10, or 3.4%.

		Daily	1 wk.	52 wks
Price-to-earnings ratio	**3**			
Earnings per share, past four quarters	**92.20**			
Dividend yield	**1.4**			
		PERCENTAGE CHANGE		
Financial Services		**-0.2%**	1.5%	36.6%
Mizuho Securities		**-2.8%**	-2.4%	46.4%

Orix
Japan ¥6,270
▼ **2.8% or ¥180**

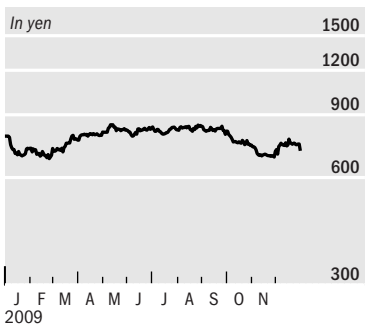
The stock traded between an intraday high of JPY6,470 and a six-day low of JPY6,250 on low volume.



		Daily	1 wk.	52 wks
Price-to-earnings ratio	**23**			
Earnings per share, past four quarters	**272.20**			
Dividend yield	**1.1**			
		PERCENTAGE CHANGE		
Financial Services		**-0.2%**	1.5%	36.6%
Orix		**-2.8%**	-2.0%	25.7%

Odakyu Elec Railway
Japan ¥713
▼ **4.3% or ¥32**

Shares declined after the railway company's bond offering fell flat.



		Daily	1 wk.	52 wks
Price-to-earnings ratio	**44**			
Earnings per share, past four quarters	**16.30**			
Dividend yield	**0.9**			
		PERCENTAGE CHANGE		
Travel & Leisure		**-1.5%**	-0.8%	3.5%
Odakyu Elec Railway		**-4.3%**	-4.8%	-9.2%

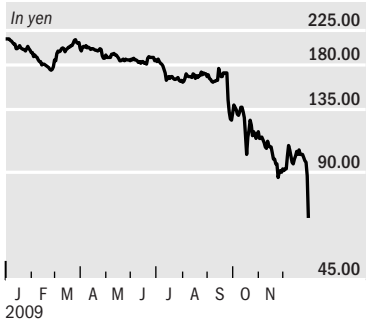
Shinsei Bank
Japan ¥101
▼ **5.6% or ¥6**

The banking company's shares have shed more than 3% in the past week.

		Daily	1 wk.	52 wks
Price-to-earnings ratio	**21**			
Earnings per share, past four quarters	**4.90**			
Dividend yield	**1.0**			
		PERCENTAGE CHANGE		
Banks		**-0.6%**	0.3%	26.3%
Shinsei Bank		**-5.6%**	-9.0%	-27.3%

Japan Airlines
Japan ¥67
▼ **23.9% or ¥21**

The stock plunged on growing concern the struggling airline may file for bankruptcy protection.



		Daily	1 wk.	52 wks
Price-to-earnings ratio	**none**			
Earnings per share, past four quarters	**-98.80**			
Dividend yield	**none**			
		PERCENTAGE CHANGE		
Travel & Leisure		**-1.5%**	-0.8%	3.5%
Japan Airlines		**-23.9%**	-33.7%	-68.4%

HEARD ON THE STREET

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Telling moves in Hong Kong?

The small movements of a pegged currency are rarely informative. But a recent shift in the exchange rate of the Hong Kong dollar could speak volumes about whether money is still pouring into Asia.

For the first time since global stock markets bottomed in March, the honkie, as some call it, has moved off the strong side of its fixed trading range with the U.S. dollar. This is a signal that money is moving out of Hong Kong's stock market, seen as a safe and liquid way for investors to play China.

For 26 years, Hong Kong's currency has been tethered to the greenback. Currently the band is 7.75 to 7.85 per U.S. dollar, and the honkie has been hugging the strong end of that band—7.75—since March. That recently changed, with the exchange rate hitting 7.7570 in December. On Wednesday, it was at 7.7548.

Not a big move? Consider that the Hong Kong Monetary Authority, the keeper of the peg, had recently been injecting $1.5 billion of its currency into foreign exchange markets each week, on average, to prevent the honkie from strengthening past 7.75. The implication is that, had market forces been at work, the currency would have been far stronger as funds poured into the city. That the central bank no longer has to intervene means the flows changed directions in December.

So, have investors have had a change of heart about China? Not necessarily. One source of funds into Hong Kong has been investors chasing nearly $30 billion of initial public offerings this year. That market has quieted in recent weeks. Squaring up of portfolios ahead of the year's end by foreign stock investors who piled into emerging markets also is a plausible explanation.

Another possibility is that, as prospects rise for an interest-rate rise in the U.S., rate speculators are moving money from Hong Kong dollars to U.S. dollars, where long-term interest rates have turned up recently.

Hong Kong's monetary chiefs are certainly relieved that they don't have to keep printing money, $58 billion since March. They have been vocal about the risks of too much capital flowing in, causing bubbles in stocks and real estate, both of which had strong recoveries in 2009. The worry is that the money could flow out just as quickly, leaving a mess behind.

The verdict on what is happening in Hong Kong could come as soon as next week. If the Hong Kong dollar returns to hugging the top of its trading range, the risk trade on Asian assets is still on.

—Alex Frangos

Keeping it pegged

Hong Kong has injected 480 billion of its currency into markets this year to keep its value tethered to the U.S. dollar.

How many Hong Kong dollars one U.S. dollar buys (left axis), HKMA's market intervention in billions of Hong Kong dollars (right axis)

Sources: WSJ Market Data Group (exchange rate), Hong Kong Monetary Authority (market intervention); Bloomberg News (photo)

Corporate bonds still have a good pulse

After a blistering 2009, corporate-bond markets are set for a more sedate 2010. No longer obviously cheap, the market faces a number of hurdles. But that doesn't mean investors should write off corporate bonds as last year's fad. Technical and fundamental forces suggest corporate bonds could keep running a while longer.

For a start, corporate-bond investors may have less to fear than their government-bond counterparts from central bankers reducing the extraordinary support that fueled 2009's sharp rally in risk assets. Net nonfinancial supply could fall by 30% in the U.S. and 25% in Europe, according to Barclays Capital.

Meanwhile, the importance of corporate bonds as a funding mechanism has gained wider appreciation as a result of the crisis. The continued need for banks to reduce the size of their balance sheets means policy makers are likely to seek to support the corporate-bond market as a source of funding. Defaults are expected to drop sharply.

Of course, investors will have to adjust their return expectations. In 2009, U.S. investment-grade corporate bonds returned 19.4%, according to Bank of America-Merrill Lynch. Europe turned in 15.1%.

That performance can't be repeated. A sharp rise in Treasury yields in December means U.S. investment grade bonds have returned -1.27% in a month, even as spreads continued to tighten.

The best trade might be to focus on the relative performance of corporate bonds versus government bonds. One option is to hedge overall interest-rate risk in 2010 and bet that the credit spread between free-spending sovereigns and thriftier corporations continues to narrow.

—Richard Barley

The Santa Claus argument for vertical integration

Another Christmas, another triumph for the foremost exponent of vertical integration.

Imagine if Santa Claus outsourced instead. Pinkerton might be hired to keep tabs on how well children behaved. Toys would be churned out in Chinese factories, not polar workshops. Santa could stay home and brainstorm with his elves on brand management, while **UPS** did the sleighing.

A decade ago, with disintegrated-supply-chain champions like **Dell** riding high, Santa may have faced pressure to embrace the zeitgeist. Consultants were pitching clients to focus on "core competencies" and outsource everything else.

But vertical integration can sometimes make sense, and it has demonstrated something of a comeback. **Rolex** operates a foundry for precious metals, helping it refine alloys. **Apple** has bought into several chip makers.

Yet these are discrete relinkages, dealing with specific needs. None represents a return to vertical integration à la Henry Ford, whose Ford Motor owned iron-ore mines to ensure metal supplies. Unfortunately, old-school vertical integration also has made a comeback.

China is buying mineral rights globally, reflecting fears of supply shortages and a perception that industry consolidation has created oligopolies for some commodities. Steelmaker **ArcelorMittal** also has bought mines.

Outsourcing is more than a fad. It fosters rational allocation of capital and growth in global trade. That is preferable to vertical integration driven by fear of supply shortages, which feeds on itself, as more supplies get "locked up," and leads to inefficiencies as the competitive dynamic is removed from the supplier-customer relationship.

Apart from persistent rumors he is a myth, it is worth remembering that Santa's vertically integrated venture isn't in the business of making profits.

—Liam Denning

Microsoft needs mobile recovery

Reasons to feel bearish about **Microsoft** aren't hard to find. But it is the software giant's diminishing profile in the mobile world that is the talk of Silicon Valley right now.

The explosion of mobile applications on devices like **Apple**'s iPhone and **Motorola**'s Droid presages far-reaching changes in consumer behavior. Google gets that. Aside from helping develop the Android mobile operating system, the company plans to buy mobile ad firm AdMob. And now it is working on plans to sell its own phone.

It is a different story at Microsoft. Windows Mobile's share of the global smartphone operating-system market fell to 7.9% in the third quarter from 11.1% a year earlier, research firm Gartner estimates. Also losing ground was **Nokia**'s Symbian. In contrast, both Apple and BlackBerry manufacturer **Research In Motion** boosted their shares, while Android grabbed 3.5% from zero a year earlier. That will likely increase given the popularity of Motorola's new Droid phone.

It doesn't help that the latest version of Windows Mobile, 6.5, got a tepid reception; a fuller upgrade isn't expected for another year. Or that device manufacturers are focusing on Android rather than Windows Mobile for new phones they are developing.

Plenty of phone manufacturers, including **HTC** and **Samsung Electronics**, continue to use Windows Mobile, of course. And it isn't as if revenue from licensing Windows Mobile is significant. Microsoft's fees are as low as $5 per unit, Gartner analyst Ken Dulaney estimates, a fraction of what it gets for Windows on PCs. About 171 million smart phones will be sold this year, IDC estimates, suggesting Microsoft's revenue may be as low as $75 million.

What Microsoft risks losing is the chance to establish a stronghold in the mobile ecosystem. That is potentially a huge deal. Already, there are signs mobile applications are changing Web-browsing habits. Consumers might not need search engines as much. Instead, they can tap an application. As well as offering a variety of content, those apps can trigger all sorts of transactions, helping people find the best price for an item or the nearest restaurant.

Exactly how companies make money out of mobile isn't yet clear. Many apps are given away free. Advertising is still nascent in mobile, estimated at only $416 million this year, according to eMarketer, compared with $22 billion for online advertising overall. Still, it will certainly rise with the growth in the smart-phone market.

Whatever happens, it is a good bet there will be lucrative opportunities for those controlling the most popular mobile platforms. Not only will they lure the best applications, they will be able to promote their own services.

Microsoft would have a better chance boosting search engine Bing's mobile usage if it had a bigger market share with Windows Mobile, for instance.

Of course, it is early days in mobile. Google could yet undermine Android's popularity with phone makers if it goes ahead with its own device.

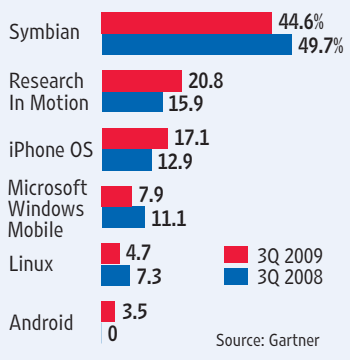
Microsoft's relationships with numerous device makers could help it fight back.

But Microsoft famously stumbled early in recognizing the importance of the Internet and is still licking its wounds after losing out to Google on search. In the next year, Microsoft needs to make its presence felt in mobile, lest it miss another trick.

—Martin Peers

On the go

Mobile operating system market share



Source: Gartner

Mobile phone outlet in Beijing, China

Agence France-Presse/Getty Images

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